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Myanmar, reconsidered

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Myanmar, Reconsidered

Wannaphong Durongkaveroj

Dedication

To my grandmother

Preface

Myanmar, as you know, is military-based country. In recent years, there is some good news from Myanmar – one of the poorest countries in Southeast Asia. The situation of politics is better than ten years ago because of the internal and external pressure. Releasing of political prisoners and also Aung San Suu Kyi in 2010 until the election in April 2012 guarantees the improved political scenario. Parliament also passed the law to help encourage investment from foreign investor. The United State, E.U., and Australia started easing sanction. World Bank and E.U. have already opened their office while Dawei port is constructing assiduously. China – one of the greatest border trading partner – does not stop constructing the infrastructure in connecting Yunnan to other countries in Indochina region. Consequently, the world is now glaring at Myanmar. It is the fact that Myanmar has potential to become leader of Southeast Asia, economically, socially, and politically.

This paper, “Myanmar; reconsidered”, deliberately explains about Myanmar economy. However, it’s linked to politics and society as well. Contents of this paper have many dimensions including the country fact, economic health, trade, welfare, labor migration, and policy suggestion. Initially, when you consider Myanmar, you may think about life’s deprivation, conflict, and military – controlled; however, Myanmar has a long line and there is some background that you should know before judging. Also, some statistics indicate the outstanding growth rate in various fields, for instance, Gross Domestic Product, Human Development Index, Export Index Value. So, this paper will reconsider Myanmar in many dimensions. Nevertheless, in collecting data, it is difficult because there are many sources of information and those are different (for example, GDP from World Bank is not similar to Government Office even the same recent year). It is hard for me to select only one source of a ton of data for analyzing.

This paper could not have been written without Asst. Prof. Dr. Nisit Panthamit who not only suggested me to find an information but also challenged me throughout the international economics class. Also, I am very thankful to Prof. Kyaw Min Hton, pro-rector of Yangon Institute of Economics, who gave me information about Myanmar Economy. Additionally, I am equally thankful to Ni Lar, Ph.D who informed me about Dawei port in Myanmar. I would also like to thank my parents, who were the initial instigator and early on provided advice and encouragement.

Wannaphong Durongkaveroj
September 2012

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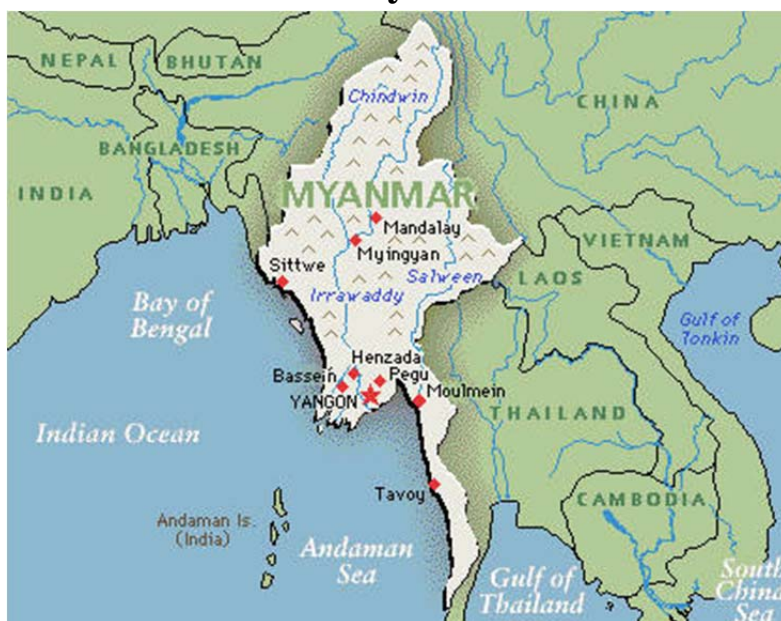
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“Economics and Politics are inseparable.

A bad political system contributes to a bad economic system”

Daw Aung San Suu Kyi ,(May 29,2003)

Country Profile



General Feature

Land Area : 657740 Sq km

Coast Line : 2216 km

Reserved Forest Area : 24.04%

Population : 59 million

Buddhist: 89.3%

Border Countries : Bangladesh (193km), India (1463km), China (2185km), Laos (235km) and Thailand (1800km)

Land Boundary : 5876 km

Net Sown Area : 16.7%

Other Forest Area : 28.24%

Working-age Group: 33.87 million

Special feature

1. Composed of more than one hundred different national races : Each has its own culture, traditions and values
2. Influence of religion & culture

Country Analysis

Strengths

1. Location
2. Large youthful population, providing a low-cost labor force attractive to foreign investment
3. Rich natural resources—land, water, gas, minerals
4. Abundant agricultural resources to be exploited for productivity improvement
5. Tourism potential

Constraints

1. Weak macroeconomic management and lack of experience with market mechanisms
2. Unstable financial institutions
3. Underdeveloped financial sector
4. Poor infrastructure, particularly in transport, electricity access, and telecommunications
5. Low education and health achievement
6. Limited economic diversification

Opportunities

1. Strategic location
2. Potential of renewable energy
3. Potential for investment in a range of sectors
4. Sea port connecting the West and the East.
5. Leader of Indochina region

Risks

1. Risks from economic reform and liberalization
2. Military rule
3. Pollution from economic activities
4. Ethnic conflicts
5. Exploitation of natural resource from foreign investor

Rich Natural Resources

Myanmar's natural resources are among its most important assets. They are a source of wealth and in some cases, such as energy resources, provide key inputs for wealth creation in other parts of the economy. Natural resources will continue to be a source of growth if they can be properly and sustainably managed. The country is particularly rich in natural gas, water, forests, and fisheries. Other resources include petroleum oil and several minerals, including tin, antimony, zinc, copper, tungsten, lead, coal, marble, limestone, and precious stones.

For Gas and Oil, Myanmar has a large supply of natural gas. Proven reserves total 7.8 trillion cubic feet (BP 2012) and gas-fired plants account for 21% of total installed power generation capacity. With hydropower providing the main source of electricity generation, gas is exported and is now the country's most important source of export revenue. Moreover, Myanmar is among Southeast Asia's five major energy exporters. A large portion of gas exports flow to Thailand and the PRC will become an increasingly important consumer when a new (planned) gas pipeline comes on stream. The country also has proven oil reserves of 2.1 billion barrels, more than Thailand and Brunei Darussalam although less than half of the reserves in Malaysia (5.9 billion), Indonesia (5.8 billion), and Viet Nam (4.4 billion)



Figure1: Inle Lake, Myanmar

Advantage of Location



Source: Thant Myint U, *Where China Meets India: Burma and the New Crossroads of Asia*, 2011.

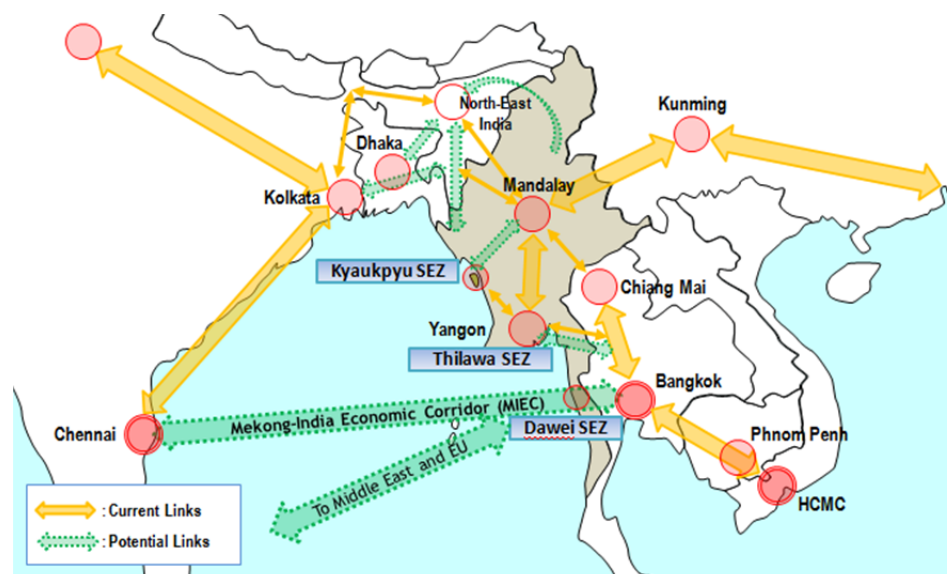
Draw a circle around the central city of Mandalay with a radius of just over 700 miles (1,100km), and it stretches to the states of West Bengal and Bihar in India, to Yunnan and Sichuan provinces in China, as well as to Tibet, and south to cover most of Laos and Thailand. The circle is home to some 600m people – it is a big market and a great opportunity to reform the country so as to exploit this advantage of location.



Myanmar is located among leading economies of Asian Region and between fast growing economies of China and India. Myanmar can connect with Southeast and East Asia.

When Dawei Deep Seaport is developed, it will reduce marine route and benefit to avoid Malacca Strait, risky cross-point for shipping.

Bridge connecting between East, South and Southeast Asia



Source: Kyaw Min Hton, “Economic Reconstruction and Development in Myanmar”, *Yangon Institute of Economics*, 2012

The figure shows the connection of East, South, and Southeast Asia through Myanmar. It indicates the absolute advantage of location to become leader of Indochina region. Moreover, Myanmar can be a center of trade bridging Japan, China, Korea with European Unions and the Middle East.

Country's Timeline



Figure 2 : Shwedagon Pagoda

March 1962: Burma comes under military rule by Ne Win after a bloodless coup.

March 1988: Mass anti-government demonstrations take place throughout Burma.

September 1988: Gen. Saw Maung takes over in another military coup. Aung San Suu Kyi co-founds and leads the National League for Democracy.

1989: Burma changes its name in English to Myanmar and the name of the capital from Rangoon to Yangon. Suu Kyi is placed under house arrest for charges of trying to divide the military, charges she denies.

1990: Suu Kyi's National League for Democracy party wins more than 80 percent of the legislative seats in the polls, the first free elections in the country in nearly 30 years. The junta refuses to recognize the results.



Figure 3: 1990 Election

October 14, 1991: Suu Kyi wins the Nobel Peace Prize.

April 23, 1992: General Than Shwe replaces Saw Maung as head of the junta.

July 23, 1997: Myanmar joins ASEAN (Association of Southeast Asian Nations).

March 2006: Naypyidaw becomes the new administrative capital.

August-September 2007: Huge fuel price increases spark protests, later dubbed the "saffron revolution" after the robes of monks who also joined in. The protests gained steam over weeks. On September 24, Buddhist monks led about 100,000 in the largest anti-government demonstrations since 1988. Two days later, government forces cracked down.



Figure 4 Suu Kyi under House Arrest, Jul 20 1989

October 20, 2007: U.N. General Assembly approves a resolution condemning the government crackdown and asking for the release of political protesters.

May 2, 2008: Cyclone Nargis hits Myanmar, killing more than 22,000. The government later reports 41,000 missing and up to 1 million homeless.

May 14, 2009: Suu Kyi is arrested and charged with government subversion, relating to an incident in which American John Yettaw swam uninvited to her lakeside home.

August 10, 2009: Myanmar court convicts Suu Kyi, then 64, for breaching the terms of her house arrest over Yettaw's visit. She is sentenced to 18 more months in home confinement, as were two of her house companions. Yettaw is sentenced to seven years of hard labor, but U.S. Senator Jim Webb obtains his release soon afterwards.

March 10, 2010: Junta announces new election law that disqualifies Suu Kyi from taking part in upcoming national elections, citing her conviction in court. She has spent more than 14 years of the last 20 years under house arrest.

April 26, 2010: Myanmar's Prime Minister Thein Sein and several other ministers resign from their military posts in order to participate in upcoming elections.

May 7, 2010: The NLD refuses to register for the election, thereby disqualifying itself as a political party and officially dissolves. On the same day, supporters of Suu Kyi say they will form a new political party, National Democratic Force, which comprises some members of NLD.

August 13, 2010: Myanmar will hold elections on November 7, in the military junta-led nation's first vote since 1990.

November 2010: Scheduled date of Suu Kyi's release from house arrest and detention after 14 years

2011 January: Government authorises internet connection for Aung San Suu Kyi.

Junta retires to wings

2011 March: Thein Sein is sworn in as president of a new, nominally civilian government.

2011 August: President Thein Sein meets Aung San Suu Kyi in Nay Pyi Taw.

2011 September: President Thein Sein suspends construction of controversial Chinese-funded Myitsone hydroelectric dam, in move seen as showing greater openness to public opinion.

2011 October: Some political prisoners are freed as part of a general amnesty. New labor laws allowing unions are passed.

2011 November Pro-democracy leader Aung San Suu Kyi says she will stand for election to parliament, as her party rejoins the political process.

2011 December: U.S. Secretary of State Hillary Clinton visits, meets Aung San Suu Kyi and holds talks with President Thein Sein. US offered to improve relations if democratic reforms continue. President Thein Sein signs law allowing peaceful demonstrations for the first time; NLD re-registers as a political party in advance of by-elections for parliament due to be held early in 2012. Burmese authorities agree truce deal with rebels of Shan ethnic group and orders military to stop operations against ethnic Kachin rebels.



Figure 5 Aung San Suu Kyi welcomed US engagement with Burma, Dec 2 2011

2012 January: Government signs ceasefire with rebels of Karen ethnic group. Pre-publication censorship was scrapped in 2012, but state control of media remains strong. A day later, hundreds of prisoners are released - among them the country's most prominent political prisoners, including veterans of the 1988 student protest movement, monks involved in the 2007 demonstrations and activists from many ethnic minority groups.

2012 May: Manmohan Singh pays first official visit by an Indian prime minister since 1987. He signs 12 agreements to strengthen trade and diplomatic ties, specifically providing for border area development and an Indian credit line



Figure 6 Suu Kyi visited Myanmar labor in Thailand, May 30 2012

2012 April - Taking part in an election for the first time since 1990, the NLD wins 43 out of 45 seats in landmark parliamentary by-elections seen as a major test for Burma's reform drive. The polls are thought to have been generally free and fair. The U.S. responds by easing sanctions on Burma. The European Union suspends all non-military sanctions against Burma for a year. E.U.

foreign policy chief Catherine Ashton, British Prime Minister David Cameron and U.N. Secretary-General Ban Ki-moon visited for talking on moving the democracy process forwards. At the late April, Suu Kyi, first time in 24 years, went outside countries, went to Thailand for World Economic Forum and she also visited Burmese Labor at Sumut Sakhorn.



Figure 7 Suu Kyi received the Honorary Doctorate, Oxford University, June 20 2012

2012 June: Suu Kyi went to International Labor Organization (ILO) at Switzerland and she begged for investment in Myanmar. She went to Oslo in Norway to receive the Nobel Prize that she got it since 1991 but she is arrest in her house. She also went to Oxford University to receive the honorary doctorate.

2012 August: President Thein Sein sets up commission to investigate violence between Rakhine Buddhists and Rohingya Muslims in the west of the country. Dozens have died and thousands of people have been displaced.

Burma abolishes pre-publication censorship, meaning that reporters no longer have to submit their copy to state censors. In a major cabinet reshuffle President Thein Sein replaces

hardline Information Minister Kyaw Hsan with moderate Aung Kyi, the military's negotiator with opposition leader Aung San Suu Kyi.

2012 September: Moe Thee Zun, the leader of student protests in 1988, returns from exile after Burma removed 2,082 people from its blacklist. And, Myanmar parliament passed the investment law. The legislation drops a number of apparently restrictive provisions floated by lawmakers. One proposal had required a minimum investment of \$5 million, which some analysts said would restrict joint-venture investors to dealing only with the country's largest and, possibly, most politically connected firms, including potentially some with ties to Myanmar's former harsh military regime. It also allows foreigners to own 50% of joint ventures in restricted businesses. That was above the 49% limit in previous drafts, but fell short of hopes among some investors that higher percentages would be allowed.



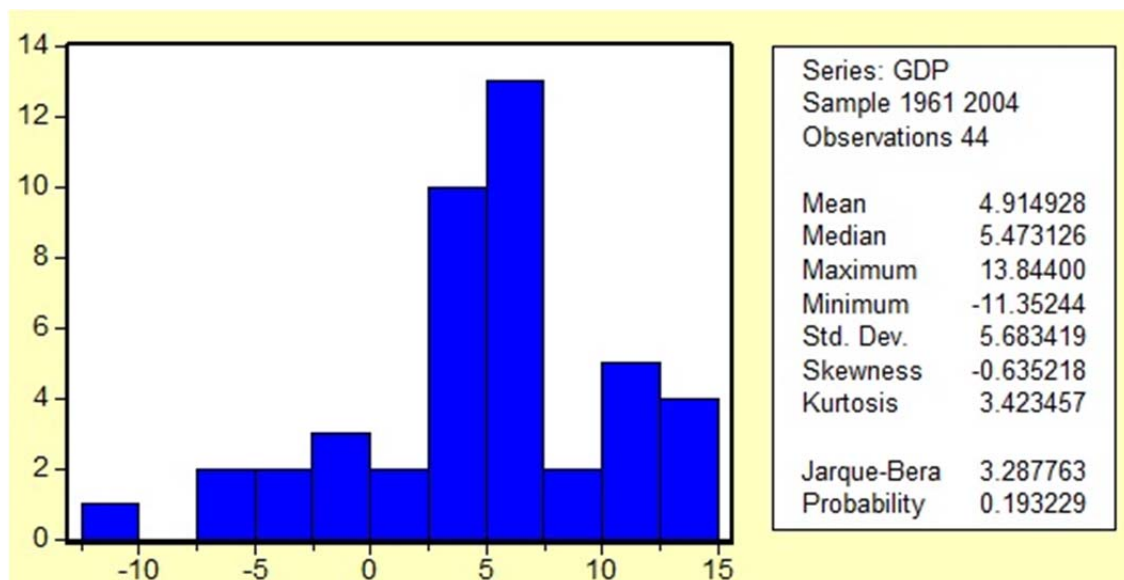
Aung San Suu Kyi, the light of Myanmar

Economic Health

Myanmar economy does a good job in term of economic growth rate. If we compare the “value” of gross domestic product by dollar term, it is of course lower than other countries in region, for instance, Thailand or Indonesia. However, elaborately consider about growth rate, it is outstanding which means that the gap among economic indicators converges on and on and, in the near future, it is feasible for Myanmar economy to outpace other countries in regions in the condition that it keeps the rate of growth constant. Since growth in Gross Domestic Product (GDP) is a popular measure of economic growth, in this paper, growth in GDP is also referred to economic growth.

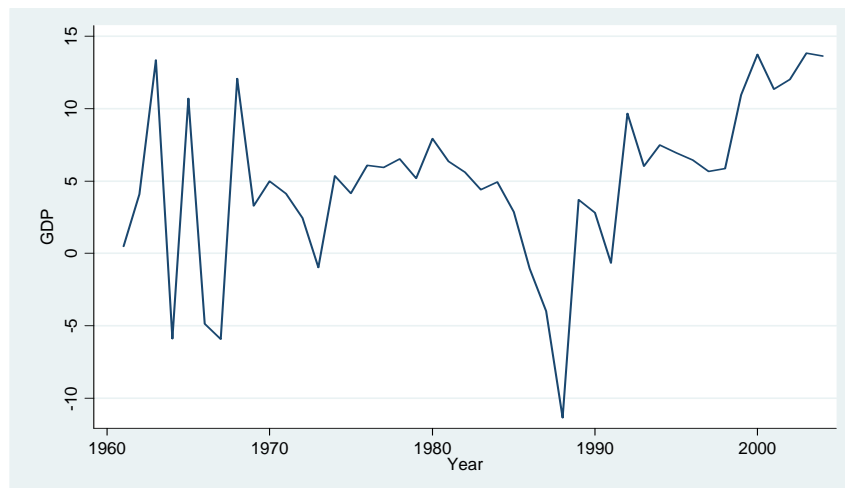
Three features dominate the economy of Burma today: a traditional rice-based agriculture sector that is grossly underperforming, a pipeline supplying natural gas to Thailand from off- shore fields, and a strong underground economy based on illegal exports of timber and other natural resources, plus narcotics (mostly methamphetamines). The economy is balkanized by the decades-long conflict between the central government (ethnically Burman and Buddhist) and a number of ethnic minorities (often Christian) inhabiting the country’s mountainous borders with China, India, and Thailand. Furthermore, the military regime maintains control over most economic activity through a host of monopolistic state-owned enterprises and businesses owned by family members and cronies of the regime’s senior generals. As a result, the space for spontaneous private initiative is severely restricted.

Figure1 Gross Domestic Product (GDP) growth rate from 1961 to 2004



Source: This study (data from World Bank)

From the figure1, the maximum growth rate is 13.84%. The minimum growth rate is -11.35. The standard deviation is about 5.68. However, from 1961 – 2004, more than 40 years, on average, the economic growth annually is around 5 percent.

Figure2 Economic Growth during 1961 - 2004

Source: This study (data from World Bank)

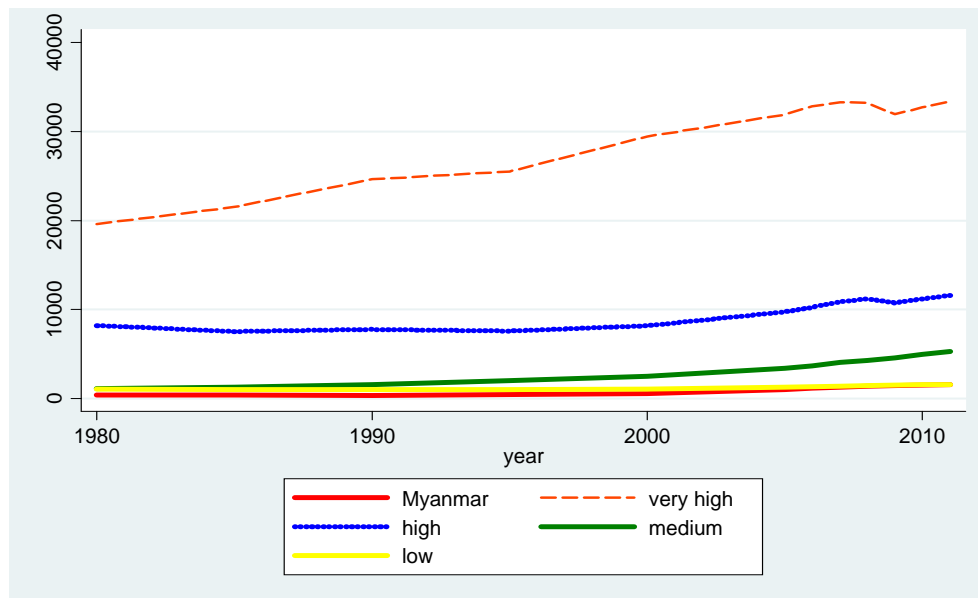
From figure2, it shows the time series data about growth rate in Gross Domestic Product from 1961 to 2004, needless to say, it is fluctuated. A sharp increase in growth was followed by a dramatic decrease economic growth. The worst economic health is in 1988 which the economic growth receded to -11.3524. The reason is that in 1988, there is an event so called “8888 Uprising” as it happened in August 8, 1988. It is series of marches, demonstrations, protests, and riots in the Socialist Republic of the Union of Burma (today, Myanmar) against military rule, headed by General Ne Win. After that, Myanmar economy experienced a fluctuation of GDP on and on; however, since 2000, the economic scenario is improved because of more serene in politics.

Table1 Gross National Income per capita at PPP (constant 2005 international dollar)

Vari able	Obs	Mean	Std. Dev.	Mi n	Max
myanmar	12	948. 25	488. 6231	340	1535
veryhi gh	12	29168. 17	5009. 753	19609	33352
hi gh	12	9572. 417	1598. 215	7531	11579
medi um	12	3219. 75	1479. 916	1087	5276
low	12	1271. 083	226. 5185	988	1585

Source: This study (data from UNDP)

From table1, it is the times series data collected by World Bank in the year 1980, 1985, 1990, 1995,2000, 2005, 2006,2007,2008,2009,2010,2011. The observation is twelve. Table shows the comparison in GNI between Myanmar and other economic category. On average, Myanmar’s GNI is lower than all of income category. Myanmar maximum is less than the minimum GNI in very high income category (Norway, USA, Sweden) and high income category (Cuba, Mexico). The situation is not good compared to other countries in the same region.

Figure3 Gross National Income per capita at PPP (constant 2005 international dollar)

Source: This study (data from UNDP)

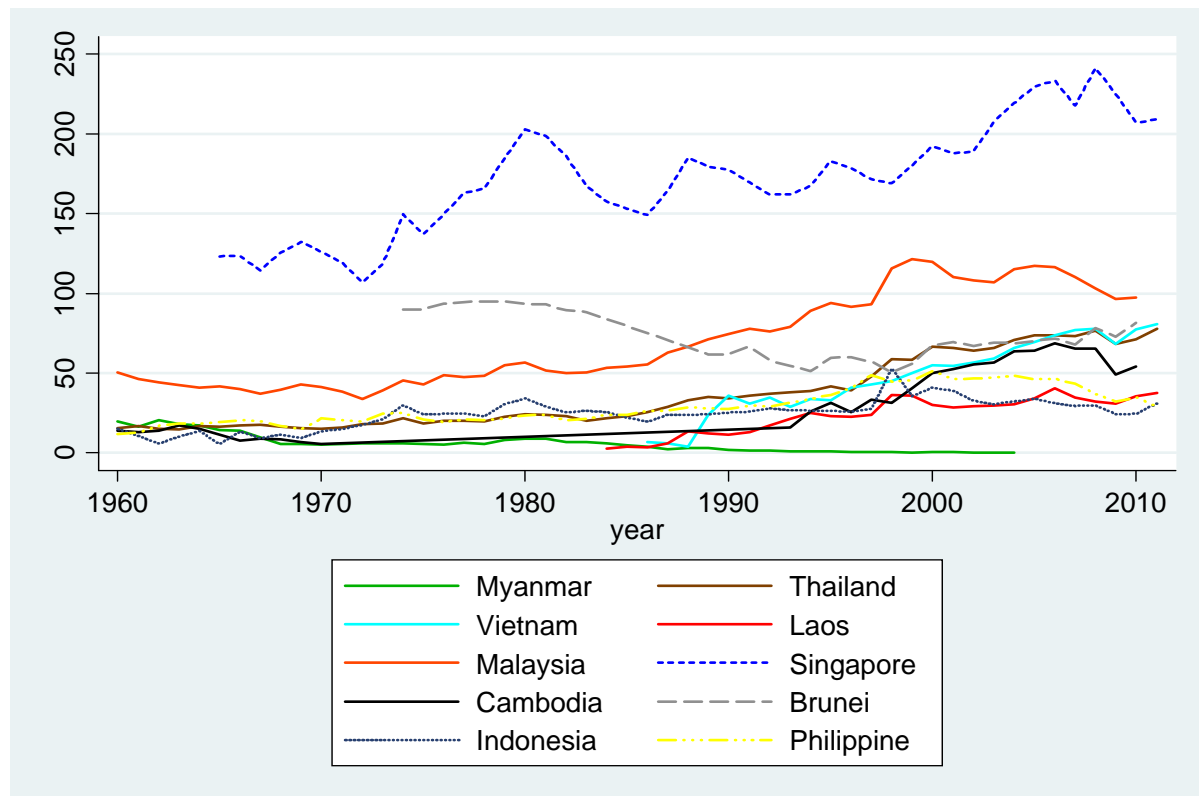
From the figure3, the red line represents Myanmar's GNI. You will see that it lies below the all other income category, even the low income group. So, on average, in the real value of dollar – not growth rate, economic health is still deprived and it needs more concentration from government to reform economy.

Table2 AEC's Export as percentage of GDP during 1960 - 2011

Vari able	Obs	Mean	Std. Dev.	Min	Max
myanmar	45	5. 92941	5. 63531	. 1829688	20. 54187
thai land	52	36. 33907	21. 64017	14. 81248	77. 62825
vi etnam	26	47. 39355	23. 06119	3. 945298	80. 69195
laos	28	23. 76964	11. 4596	2. 764228	40. 39815
mal aysi a	51	69. 68498	28. 70982	34. 0167	121. 3114
si ngapore	47	171. 5602	34. 21191	106. 7996	241. 402
cambodi a	29	33. 48367	22. 00808	5. 764411	68. 59402
brunei	32	73. 25281	14. 74964	50. 47198	95. 06158
i ndonesi a	52	24. 27742	9. 288901	5. 527578	52. 96814
phi l i ppi ne	52	28. 99486	11. 06309	11. 94735	51. 36929

Source: This study (data from World Bank)

From table2, it indicates export value of GDP among ten countries of Asian Economic Community (AEC). From mean, Singapore's export is outstanding by the advantage of its location. It is followed by Brunei – oil product, and Malaysia. When we consider maximum value, of course, Singapore again has a greatest indicator on export as percent of GDP. It is followed by Malaysia and Brunei. For Myanmar, export as percentage of GDP is lowest in AEC. However, percentage method tells us merely the importance of export on its economy, it does not tell about the real value or volume of export. It is indicates that Myanmar economy does not depend on export.

Figure4 AEC's Export as percentage of GDP during 1960 - 2011

Source: This study (data from World Bank)

From the figure4, it shows comparison in time series data about export as percentage of GDP among AEC. Singapore's export represented by the dash blue line lies above other countries in AEC while the green line representing Myanmar's share of export in GDP lies in the bottom. The gap between the dash blue line and solid green line shows the difference in importance of export in two economies.

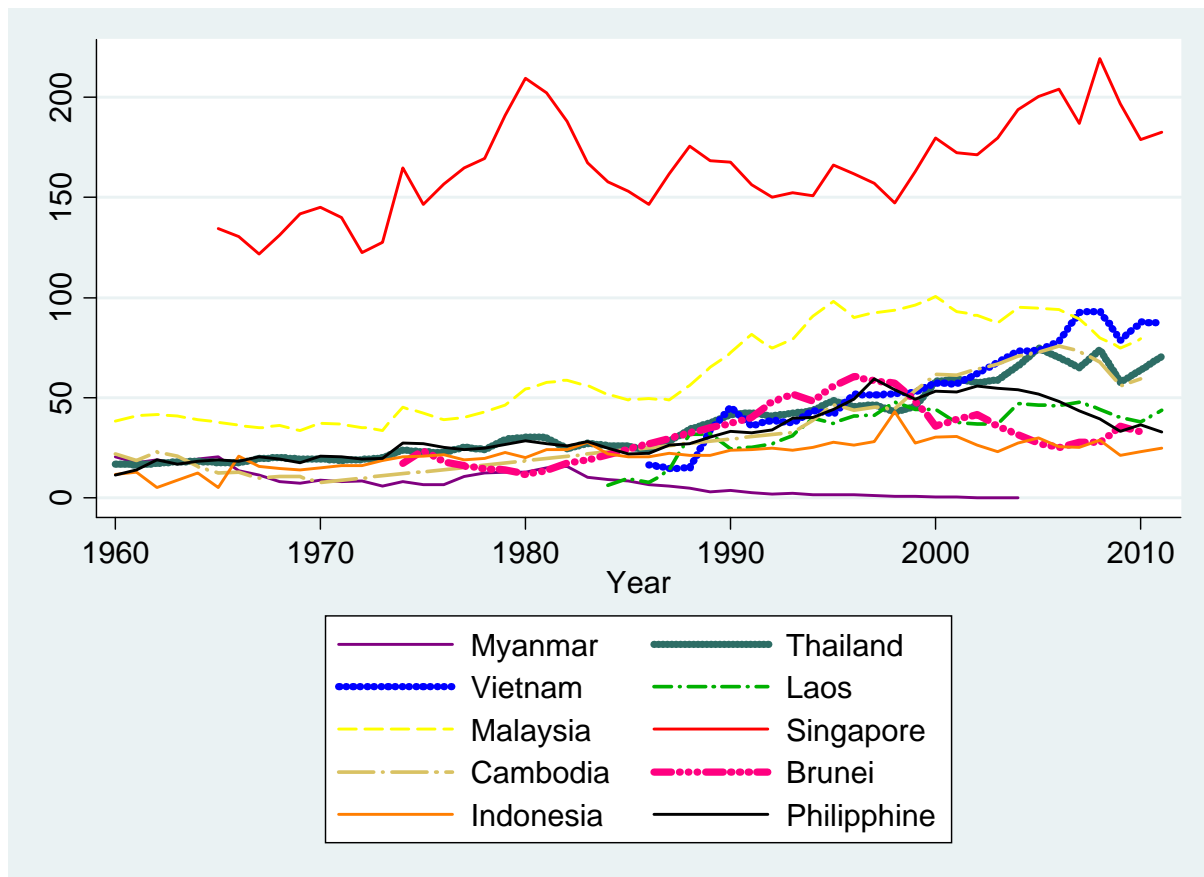
Table3 AEC's Import as percentage of GDP during 1960 - 2011

Vari abl e	Obs	Mean	Std. Dev.	Mi n	Max
myanmar	45	7. 945805	6. 23626	. 1248936	20. 68288
thai l and	52	36. 7705	18. 12163	16. 63445	74. 687
vi etnam	26	55. 38471	23. 21316	14. 79718	93. 12933
l aos	28	34. 66515	12. 40608	6. 341464	47. 95798
mal aysi a	51	62. 26281	23. 33199	33. 63463	100. 5971
si ngapore	47	164. 9413	23. 62862	121. 7027	219. 0691
cambo di a	29	41. 35367	23. 53906	7. 769423	76. 02207
brunei	32	33. 37168	14. 75392	11. 66427	60. 64051
i ndonesi a	52	21. 69871	6. 718564	5. 110007	43. 21806
phi l i pphi ne	52	32. 05007	13. 11449	11. 47515	59. 29383

Source: This study (data from World Bank)

From table3, the highest import as percentage of GDP is still Singapore though the Malacca Strait. Myanmar, however, are still the lowest of import as percentage of GDP.

Figure5 AEC's Import as percentage of GDP during 1960 - 2011



Source: This study (data from World Bank)

From the figure5, it shows comparison in time series data about import as percentage of GDP among AEC. Singapore's export represented by the solid red line lies above other countries in AEC while the thin purple line representing Myanmar's share of import in GDP lies in the bottom. The gap between the solid red line and thin purple line shows the difference in importance of export in two economies.

As you can see from the figure4 and figure5, Myanmar joined a little fraction of GDP in trade or international market. Why? In the past, Myanmar is socialist country ruled by military. International trade is not Myanmar's priority. Its tariff and other protection from multinational company are relatively high. So, it is not surprising that participation in global market is relatively small compared to other countries in region, for instance, Singapore or Malaysia.

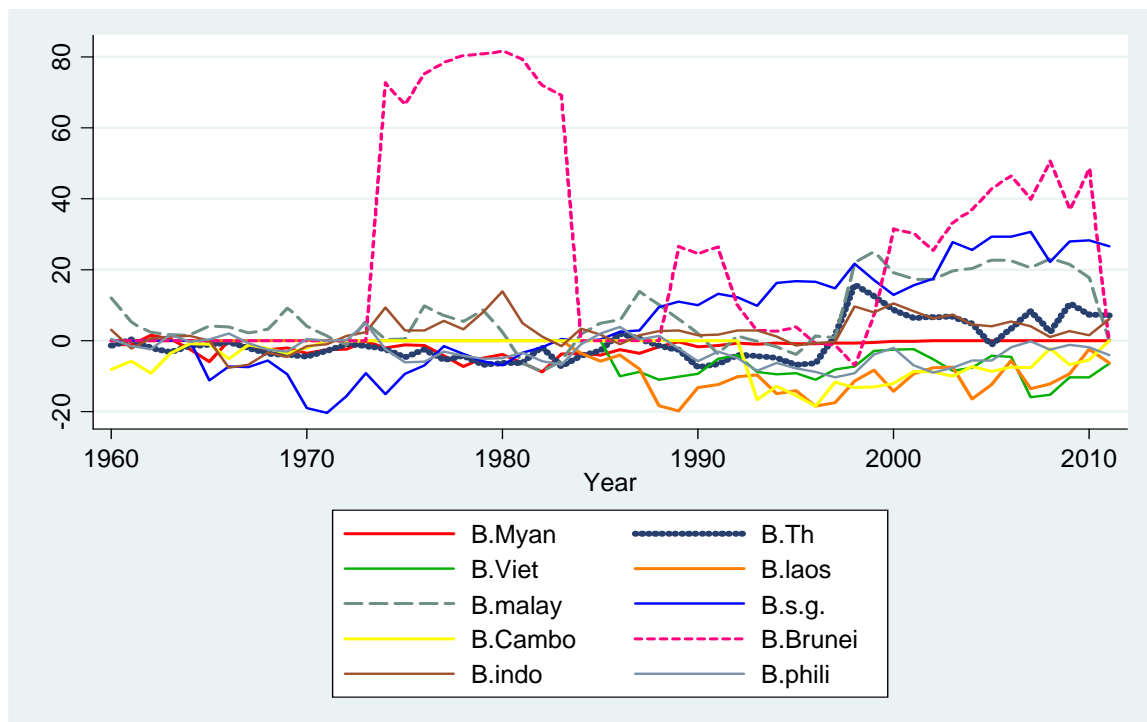
When we consider import and export as percentage of GDP, now we will further explore the Balance of trade as percentage of GDP

Table4 Balance of trade as percentage of GDP during 1960 - 2011

Vari able	Obs	Mean	Std. Dev.	Min	Max
bmyan	52	-1.744957	2.11951	-8.72444	1.500097
bth	52	-.4314287	5.53282	-7.518507	15.88792
bvi et	52	-3.995583	4.724827	-15.85203	0
bl aos	52	-5.866813	6.48978	-19.86548	0
bmal ay	52	7.27944	8.985502	-8.637713	25.05187
bsg	52	5.982491	14.17539	-20.38088	30.70096
bcambo	52	-4.389039	5.34747	-18.43355	0
bbrunei	52	24.54223	29.85799	-6.932153	81.69724
bi ndo	52	2.578709	4.156469	-7.518597	13.96863
bphili	52	-3.05521	3.554789	-10.33735	4.877942

Source: This study (data from World Bank)

Table4 shows comparison in the balance of trade as percentage of GDP among AEC countries. On the average, the countries which have the positive balance of trade are Singapore, Brunei, Indonesia, and Malaysia. The rest's balance of trade is negative. When we consider maximum value, Brunei has the highest balance of trade, it indicates that flow of money and gold now are accumulated in the reserve of Brunei's central bank. For Myanmar, over the time, balance of trade is negative. It indicates that value of import is greater than value of export in terms of percentage of Myanmar's GDP. The interest thing is zero value of maximum balance of trade in Vietnam, Laos, and Cambodia. It is not the case that overall export equals to import. But the real maximum for Vietnam balance of trade is -2.28, for Laos is -2.366, for Cambodia is -2.23.

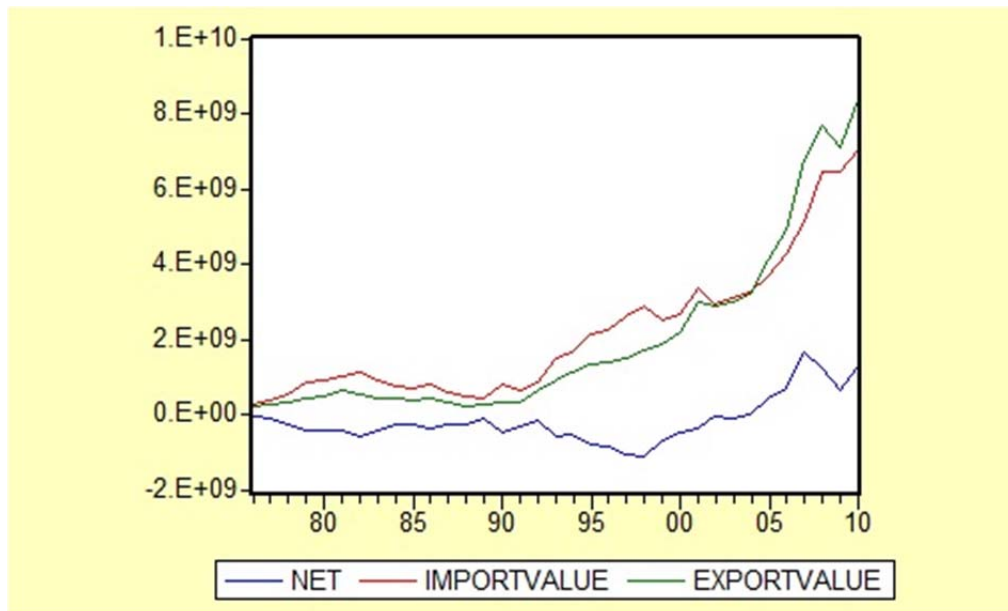
Figure6 Balance of trade as percentage of GDP during 1960 - 2011

Source: This study (data from World Bank)

From figure6, most of the balance of trade as percentage of GDP in AEC is fluctuated. However, solid blue line, Singapore's balance of trade does a good job because its trend is positive over the 52 years. For Thailand, it is receded from 1960 – 1995, since 2000, its trend is positive. For Brunei, during 1970 - 1985, its balance of trade improved – may be from the OPEC increase in the price of crude oil. Brunei is not a member of OPEC. So, when the crude oil from OPEC is high, many countries bought from Brunei. This may an export, in perspective of Brunei, increase. So, the balance of trade is improved. Theoretically, when nation experiences a positive balance of trade, in general, national welfare should be improved and we can expect that Brunei's reserve is still fluent.

Further information about economic health

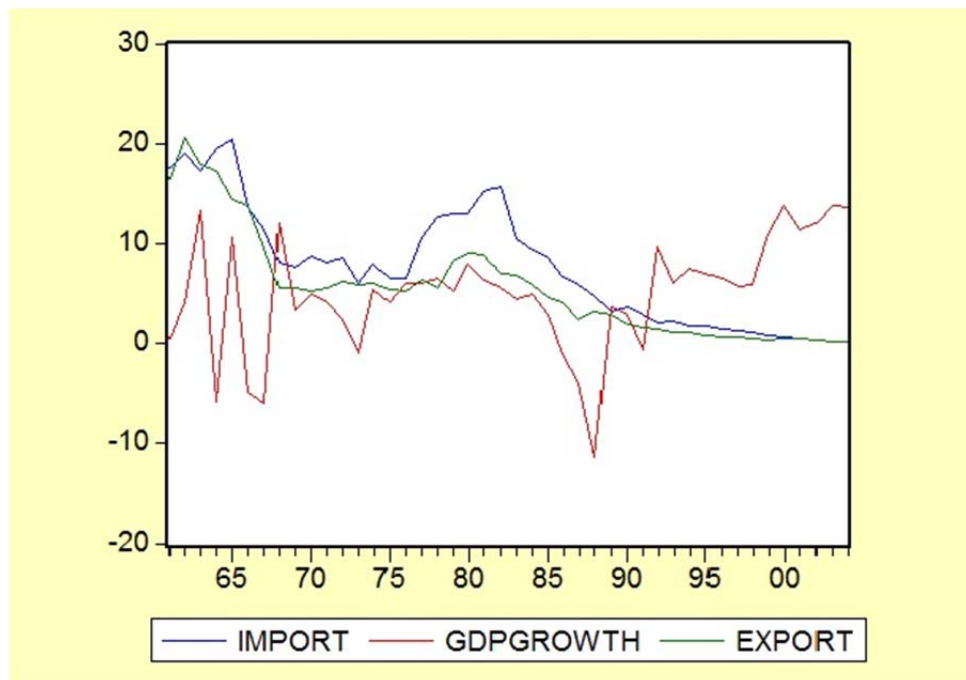
Figure7 value in Export, Import, and Net during 1976 – 2010



Source: This study (data from IMF)

From the figure7, it shows the monetary term (US dollar) of value of export, import, and net balance from 1976 to 2010. The red line represents the import value. The green line represents the export value. The blue line represents the net export and import value. Between 1976 and 2004, the net export and import is negative because the import value is greater export value. Since 2005, export value is greater than import value. So, the net export and import is positive. The reason why, in the past, the quantity of export is small will lie in the dimension of low technology and human deprivation. The lack of availability in infrastructure is the vast obstacle of doing business. Also, the exportation might not be encouraged from military government.

Figure8 Myanmar's Export as GDP, Import as GDP, and Economic Growth during 1961 - 2004



Source: This study (data from World Bank)

From the figure8, in side of export and import, the result is similar to IMF data. In the past, import is greater than export – the dash blue line representing import lie above the dash green line representing export. So, the net export and import or balance of trade will be stagnant in negative terms. However, when I added economic growth in consideration so as to find that in Myanmar economy, what is the key influence to economic growth followed the basic idea of GDP equation as written;

$$Y = C + I + E + G$$

Where,

Y = GDP

C = Consumer Spending

I = Investment made by industry

E = Excess of Exports over Imports

G = Government Spending

To consider more elaborately, we need some statistical technique to help clarify. There are three regression models. The first one is between import and GDP growth rate. The second one is export and GDP growth rate. The last one is balance of trade and GDP growth rate as followed;

Table5 Outcome of Regression Model: GDP growth rate and Import as Percentage of GDP during 1961 – 2004

Dependent Variable: GDPGROWTH

Method: Least Squares

Date: 09/12/12 Time: 16:02

Sample: 1961 2004

Included observations: 44

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	6.799049	1.367824	4.970706	0.0000
IMPORT	-0.246087	0.141276	-1.741884	0.0888
R-squared	0.067375	Mean dependent var		4.914928
Adjusted R-squared	0.045169	S.D. dependent var		5.683419
S.E. of regression	5.553578	Akaike info criterion		6.311151
Sum squared resid	1295.374	Schwarz criterion		6.392250
Log likelihood	-136.8453	F-statistic		3.034159
Durbin-Watson stat	1.525130	Prob(F-statistic)		0.088849

Source: This study

From the table5, we get the linear regression model as $Y = a + bX$ by OLS method. The linear equation is $GDPGROWTH = c + bIMPORT$ (C stands for vector of coefficient) and the model is as written;

$$GDPGROWTH = 6.7990 - 0.2461IMPORT$$

It means that if IMPORT is zero, Gross Domestic Product growth rate will equal to 6.799. If import as percentage of GDP rises by one unit, then GDP growth rate will decline by 0.2461. However, when we consider probability value to check the relationship between dependent variable and independent variable, I found that Prob. Of IMPORT is 0.0888. It indicates the significant relationship $\approx (1-0.0888)*100 \approx 91.12\%$. When the Prob. value is small, it means that coefficient of dependent variable is significantly different from zero or we can reject null Hypothesis that $b = 0$. When we consider R-squared or coefficient of determination, its value is 0.067375. It is very low. It tells us that the result of Y (GDPGROWTH Equation) is influenced by importation around 6.74% and other factors about 93.3635%. So, the accuracy of prediction (estimated equation of representation of all population) about this outcome is very weak even though this equation is significant.

Table6 Outcome of Regression Model: GDP Growth Rate and Export as Percentage of GDP during 1961 – 2004

Dependent Variable: GDPGROWTH

Method: Least Squares

Date: 09/10/12 Time: 19:08

Sample: 1961 2004

Included observations: 44

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	6.459825	1.229718	5.253093	0.0000
EXPORT	-0.275052	0.160224	-1.716671	0.0934
R-squared	0.065565	Mean dependent var		4.914928
Adjusted R-squared	0.043317	S.D. dependent var		5.683419
S.E. of regression	5.558962	Akaike info criterion		6.313089
Sum squared resid	1297.887	Schwarz criterion		6.394189
Log likelihood	-136.8880	F-statistic		2.946960
Durbin-Watson stat	1.469772	Prob(F-statistic)		0.093407

Source: This study

From the table6, we get the linear regression model as $Y = a + bX$ by OLS method. The linear equation is $GDPGROWTH = c + bEXPORT$ (C stands for vector of coefficient) and the model is as written;

$$GDPGROWTH = 6.4598 - 0.2751EXPORT$$

It means that if export as percentage of GDP is zero, Gross Domestic Product growth rate will equal to 6.4598. If export as percentage of GDP rises by one unit, then GDP growth rate will decline by 0.2751. However, when we consider probability value to check the relationship between dependent variable and independent variable, I found that Prob. Of EXPORT is 0.0934. It indicates the significant relationship $\approx (1 - 0.0934) * 100 \approx 90.66\%$. When the Prob. value is small, it means that coefficient of dependent variable is significantly different from zero or we can reject null Hypothesis that $b = 0$. When we consider R-squared or coefficient of determination, its value is 0.0656. It is very low. It tells us that the result of Y (GDPGROWTH Equation) is influenced by exportation around 6.56% and other factors about 93.444%. So, the accuracy of prediction (estimated equation of representation of all population) about this outcome is very weak even though this equation is significant.

Table7 Outcome of Regression Model: GDP Growth Rate and Balance of trade as percentage of GDP during 1961 – 2004

Dependent Variable: GDP

Method: Least Squares

Date: 09/10/12 Time: 18:51

Sample: 1961 2004

Included observations: 44

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	5.408061	1.189817	4.545287	0.0000
BALANCETRADE	0.241782	0.401477	0.602232	0.5503
R-squared	0.008561	Mean dependent var		4.914928
Adjusted R-squared	-0.015044	S.D. dependent var		5.683419
S.E. of regression	5.726011	Akaike info criterion		6.372304
Sum squared resid	1377.062	Schwarz criterion		6.453404
Log likelihood	-138.1907	F-statistic		0.362684
Durbin-Watson stat	1.467080	Prob(F-statistic)		0.550257

Source: This study

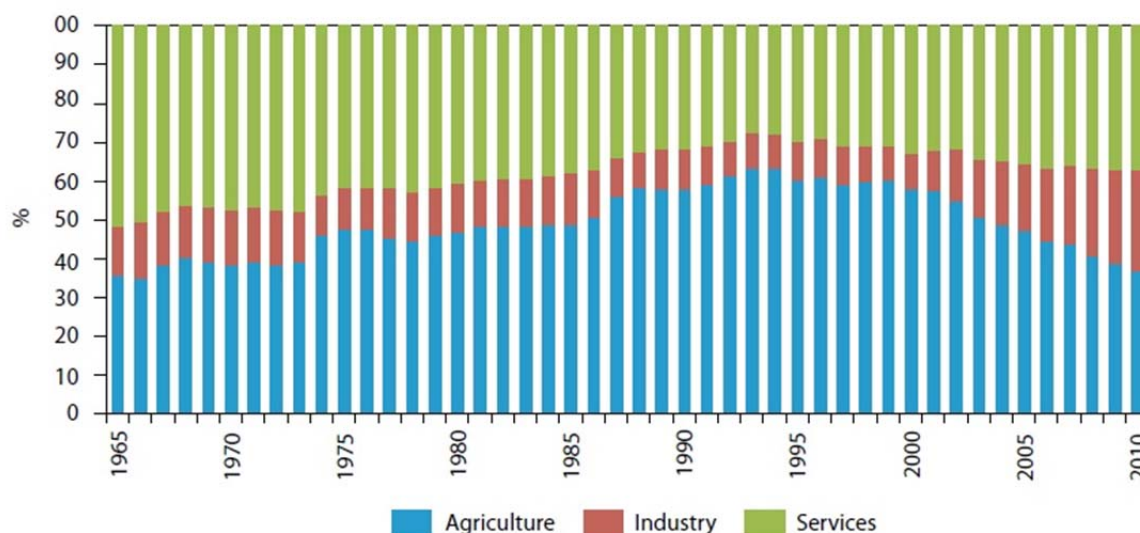
From the table7, we get the linear regression model as $Y = a + bX$ by OLS method. The linear equation is $GDPGROWTH = c + bBALANCETRADE$ (C stands for vector of coefficient) and the model is as written;

$$GDPGROWTH = 5.4081 + 0.2418BALANCETRADE$$

It means that if balance of trade as percentage of GDP is zero, Gross Domestic Product growth rate will equal to 5.4081. If balance of trade as percentage of GDP rises by one unit, then GDP growth rate will increase by 0.241. However, when we consider probability value to check the relationship between dependent variable and independent variable, I found that Prob. Of BALANCETRADE is 0.5503. It indicates the relationship $\approx (1 - 0.5503) \times 100 \approx 44.97\%$. It is not significant. When the Prob. value is small, it means that coefficient of dependent variable is significantly different from zero or we can reject null Hypothesis that $b = 0$. In this case, we accept $H=0$ which means that there is no relationship between balance of trade as a percentage of GDP and Gross Domestic growth rate. When we consider R-squared or coefficient of determination, its value is 0.0086. It is very low. It tells us that the result of Y (GDPGROWTH Equation) is influenced by balance of trade around 0.86% and other factors about 99.14%. So, the accuracy of prediction (estimated equation of representation of all population) about this outcome is very weak and this equation is not significant. So, balance of trade and economic growth has no any relationship in Myanmar economy.

Change in Economic Structure

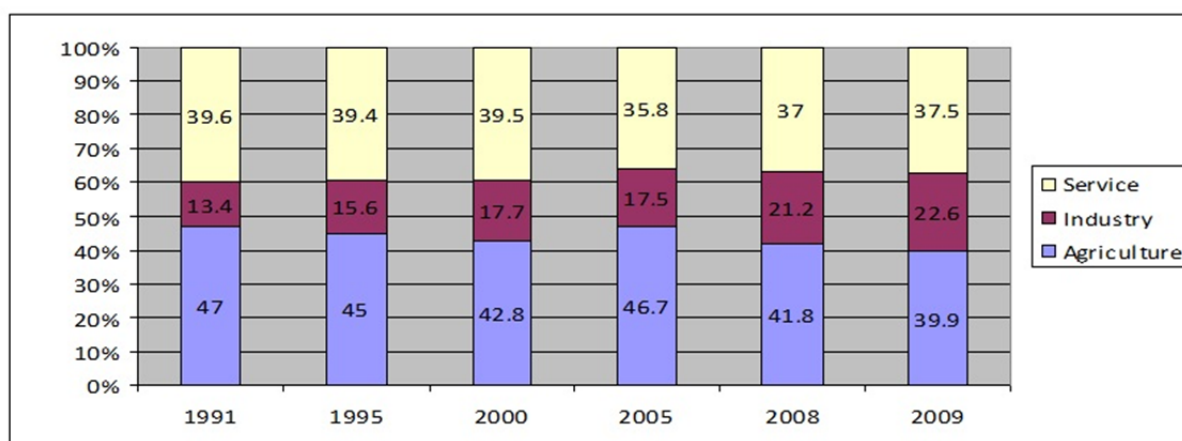
Figure 10 Sector Share in Myanmar's GDP during 1965 – 2010



Source: Asian Development Bank. 2006. Asian Development Outlook. Manila: ADB.

From the figure10, it shows that agricultural sector has played a vital role in Myanmar economy since 1965. However, since 2000, industry sector's share increased while agricultural share decreased.

Figure11 Myanmar's Economic Structure

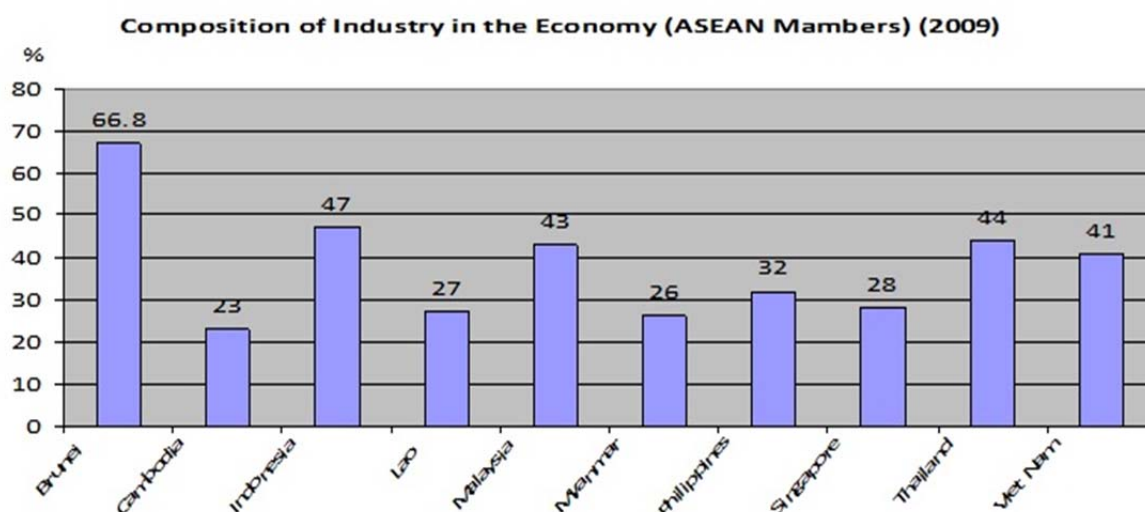


Source: Kyaw Min Hton, "Economic Reconstruction and Development in Myanmar", Yangon Institute of Economic, 2012

From figure11, it is time series data about the components of Myanmar's economy from year 1991 to year 2009. Economic Structure in Myanmar is so called "AIS". A stands for agriculture sectors including agricultural product, forestry, livestock and fisheries. I stands for Industry sectors including mining, energy, electricity, and manufacturing. S stands for Services sector including financial, transport and communication, tourism, and trade.

In 1991, Myanmar economy depends mostly on agriculture by 47%. It is followed by service sector and industry sector by 39.4%, 15.6% respectively. In 1995, it still depends mostly on agriculture but the share of agriculture in GDP gradually declined to 45%. The share of services declined to 39.4% while the industry sector's share rose slightly to 15.6%. In 2000, Agriculture sector's share continued to decline to 42.8% while industry sector kept increasing to 17.7%. This trend of agriculture sector and industry sector continued until 2009. The agriculture sector fell to 39.9% while share in GDP in industry sector has been increasing to 22.6%. The service sector shared 37.5% in GDP. In the next future, share in GDP in industry sector will be increase sharply while agricultural share will decline as a result of openness of country. New technology and science will come to country. Mass production or economy of scale will occur in factory. The process of product cycle will go to Myanmar with increasing international trade. In my own opinion, the situation of Myanmar in the next 10 year will be similar to Thailand. Multinational companies, for example, Toyota, Honda, Sony will open the plant at Myanmar to absorb the low-paid labor. Trade with China will dramatically grow after the road to Yunnan – southern China is more available. After Dawei port opens in the near future, Myanmar economic structure may change again by a sharp increasing in share of industry sector in Myanmar's Gross Domestic Product. In trading, according to Hecksher – Ohlin model, Myanmar is definitely endowed with natural resource and unskilled labor. So, Myanmar should specialize in and export the product the intensively use the abundant factor, for example, petroleum product, children's outer wear, nonrubber footwear, wool, leather tanning and finishing, textile bag, gray iron foundries, special dyes, tools, jigs, and fixtures, elevators and moving stairways, rolling mill machinery, ship building and repairing, Schiffli machine embroideries, electronic computers, and leather gloves and mittens.

Figure12 The Composition of Industry in the Economy in ASEAN in 2009



Source: Kyaw Min Hton, "Economic Reconstruction and Development in Myanmar", *Yangon Institute of Economics*, 2012

From figure 12, it shows the comparison in share of industry sector in GDP in ASEAN countries in 2009. The highest share of industry in GDP is Brunei. It is followed by

Indonesia and Thailand. For Myanmar, it ranked the 9th. However, in the near future, from the trend in figure10, industrial sector will have a larger share in national GDP.

According the trade theory, the effects of trade by H – O model can be divided by two parts, Short run and Long run. Again, Myanmar is abundant in natural resources and unskilled labor.so, it should specialize in and export the commodities made from natural resources and unskilled labor. In this case, supposed that Myanmar specialize in and export textile bag. For the effects on distribution of income, firstly, short run, by specific - factor model (labor is free to move between industries but capital is specific to industry), when Myanmar starts export textile bag to Thailand. Myanmar producers face a higher cost of production when they produce more textile bag. As a result, they have to increase the price of textile bag. According to the VMP equation; $VMP = MP \cdot P$, when the price rise, VMP rise proportionally with the price. This scenario will spur the wage for labor to rise. However, when wage in textile bag is higher than wage in other industry, supposed to be pin maker, the worker from pin maker factory will move to textile bag factory until the wage between two industries is equal. Wage in textile bag factory decline slightly. So, rise in price of textile bag is more proportionally than wage. About real wage in considering of distribution of income, if labors spend all income on textile bag, their of course purchasing power or real income will decrease because a rise in their wage is less than an increase in commodities. However, if labors spend all income in pin, their purchasing power will rise because the price in pin is declined (because pin has comparative disadvantage – we import pin and produce a fewer unit, pin producer face a lower cost; so, they can sell at lower price). About capital market, the return in capital owner used in textile bag will rise because the price of bag increases as the VMP equation. However, when the labor from pin maker factory move to textile bag factory, capital in bag factory has more labor to work with; so, it raises the marginal product and contributes to VMP to increase more. So, the return to capital owner increases more proportionally than the price of textile bag. Welfare of owner of capital increases regardless of their consumption pattern. For the owner of capital in pin factory, when the labors leave from factory, its marginal product fell; so, VMP declined and lead to a decrease in return to owner of capital in pin factory. This effect combines with a reduction in price of pin after opening trade. So, the real return to owner of capital in pin factory will decline more proportionally than the price of pin. Of course, regardless of consumption pattern, owners of capital factory in pin factory will worse off due to a loss in their purchasing power. In conclusion, for Myanmar economy, owner of capital in natural resources-based industries and unskilled labor intensive factories will experience an increasing in their purchasing power. In the other hand, owner of capital in any production that producer intensively uses the input that is not abundant in Myanmar may experience a lower in their purchasing power and well-being. For the labor in Myanmar, it depends on consumption pattern.

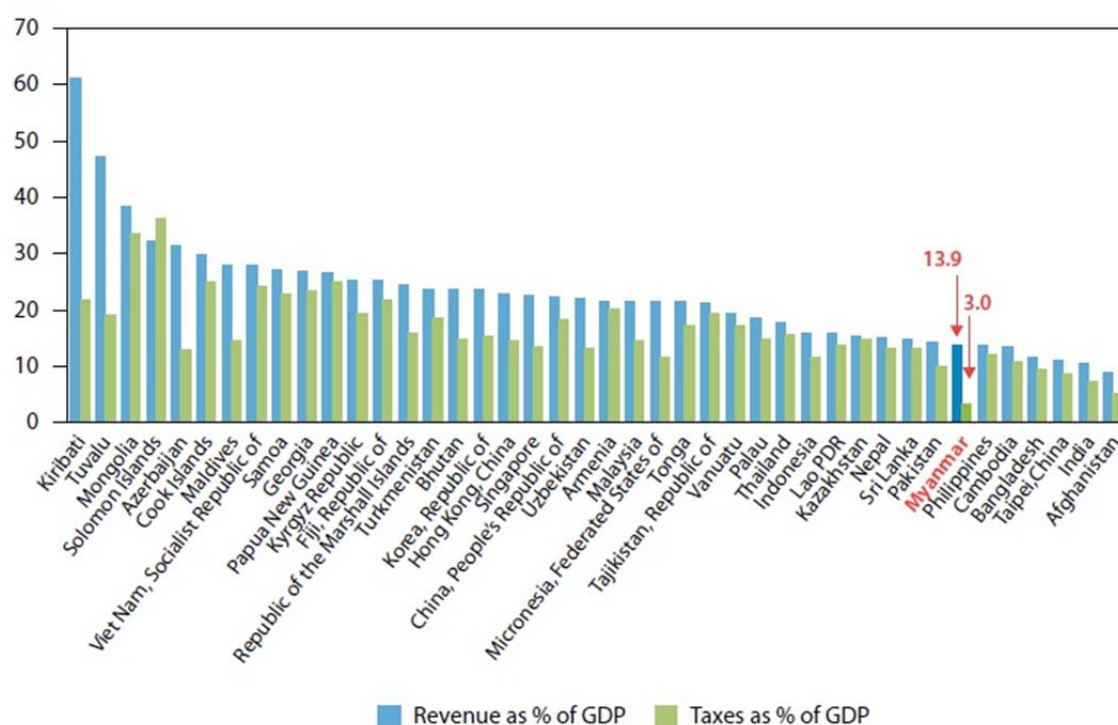
About the long run effect, factor can move freely among industries in country, Stolper -Samuelson Theorem, as the production of the labor-intensive good increase, opening trade generates a net increase in demand for labor. The net effect on demand for capital is negative, because production of the capital-intensive good falls. With fixed factor endowment, the reward paid to the abundant factor (here, labor and owner of natural resources) rises and that paid to the scarce factor (capital) falls. In the case supposed, labor

overall will experience the higher wage rate while owner of factor intensively used in pin factory will face a lower real return.

Consequently, either short run or long run, the destination of foreign investor is not unskilled labor industry but natural resources industry, especially natural gas and oil. So, to be more sustainable, Myanmar government should carefully issue the investment law by two objects including to attract foreign investor and to protect Myanmar's abundant natural resources, simultaneously.

Government Revenue and Tax

Figure 13 Government Revenue by Tax as Percentage of GDP in 2010



Source: Asian Development Bank, “ADB Key Indicators for Asia and the Pacific Toward Higher Quality Employment in Asia”. Manila: ADB, 2011

From figure 13, it shows the comparison of government revenue as percentage of GDP and taxes as % of GDP in many selected countries. In most developed countries, government revenue is collected mostly from individual income tax. Myanmar has one of the lowest ratios of government revenues and tax collection to GDP. Low levels of personal and commercial income tax collection can be explained by factors including weak institutions, a relatively small tax net, and substantial tax concessions for companies. Low revenue from personal income tax may be attributed in part to a relatively high threshold of income above which the top marginal personal income tax rate applies. Moreover, unclear tax legislation, the lack of an advance ruling system, and the broad discretionary powers afforded by the tax authorities (for example, with respect to applying tax treaties) are also likely to discourage investment and business activity and therefore inhibit tax collection. So, Myanmar needs tax reform so as to have more government revenue and can redistribute it to citizens evenly.

Trade

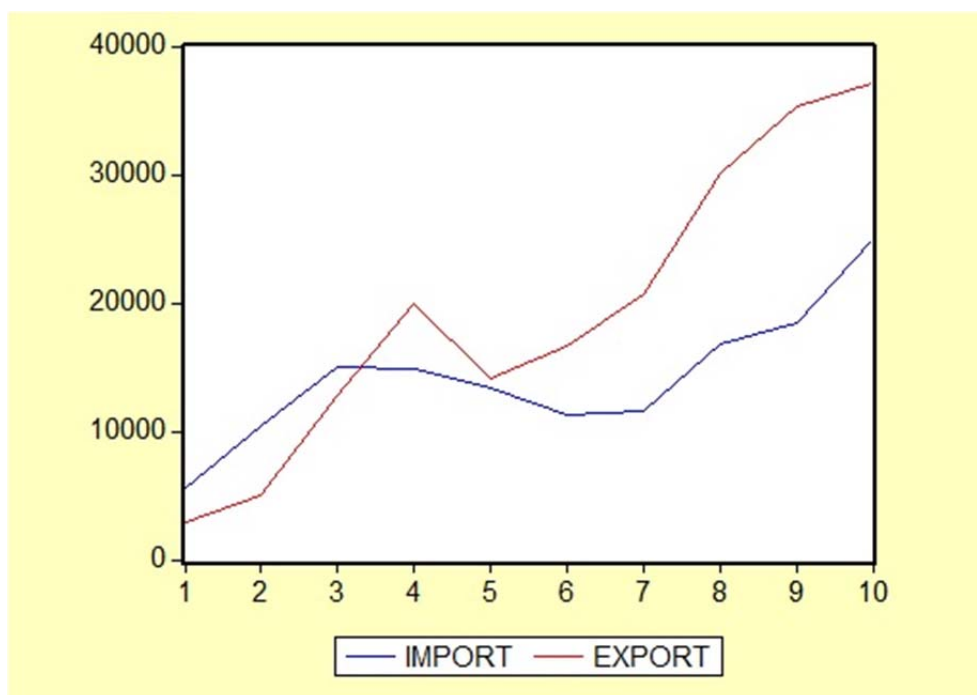
In the 20th century, we cannot deny trade. Our world becomes international economic interdependence. In the past, some socialist countries are closed – people consume what they produce. However, after decades of attempting to isolate themselves from world markets, many development countries have now opened their borders and pursued policies designed to integrate themselves into international economic activity. Countries have recognized the importance of open international of goods, services, and investment and recued their restrictions on international transactions. Also, international market is not limited to goods and services but also bonds, stocks, bank loans, foreign exchange that provide mechanism for international investment, which play a vital role in the world economy. In general, the economic interdependence among nations has been increasing over the years. We live in globalized world and we cannot deny the influx of international trade. For Myanmar, in this paper, data is collected from many sources as followed;

Table1 Value of Myanmar's Export, Import, and Balance of Trade (Kyat Million)

Year	Export	Import	Balance of Trade
1990-1991	2961.9	5522.8	(-) 2560.9
1995-1996	5043.8	10301.6	(-) 5257.8
2000-2001	12736	15073.1	(-)2337.1
2002-2003	19955.1	14910	(+)5045.1
2003-2004	14119.2	13397.5	(+)721.7
2004-2005	16697.3	11338.6	(+)5358.7
2005-2006	20646.6	11514.2	(+)9132.4
2006-2007	30026.1	16835	(+)13191.1
2007-2008	35296.8	18418.9	(+)16877.9
2008-2009	37027.8	24873.8	(+)12154.0

Source: This study (data from <http://www.myanmararchives.com/>)

From table1, we can see that balance of trade is initially negative or trade deficit. Since 2002, there is trade surplus. It is a good sign of trade and welfare in country.

Figure1 Times Series of Myanmar's Export, Import, and Balance of trade

Source: This study (data from <http://www.myanmararchives.com/>)

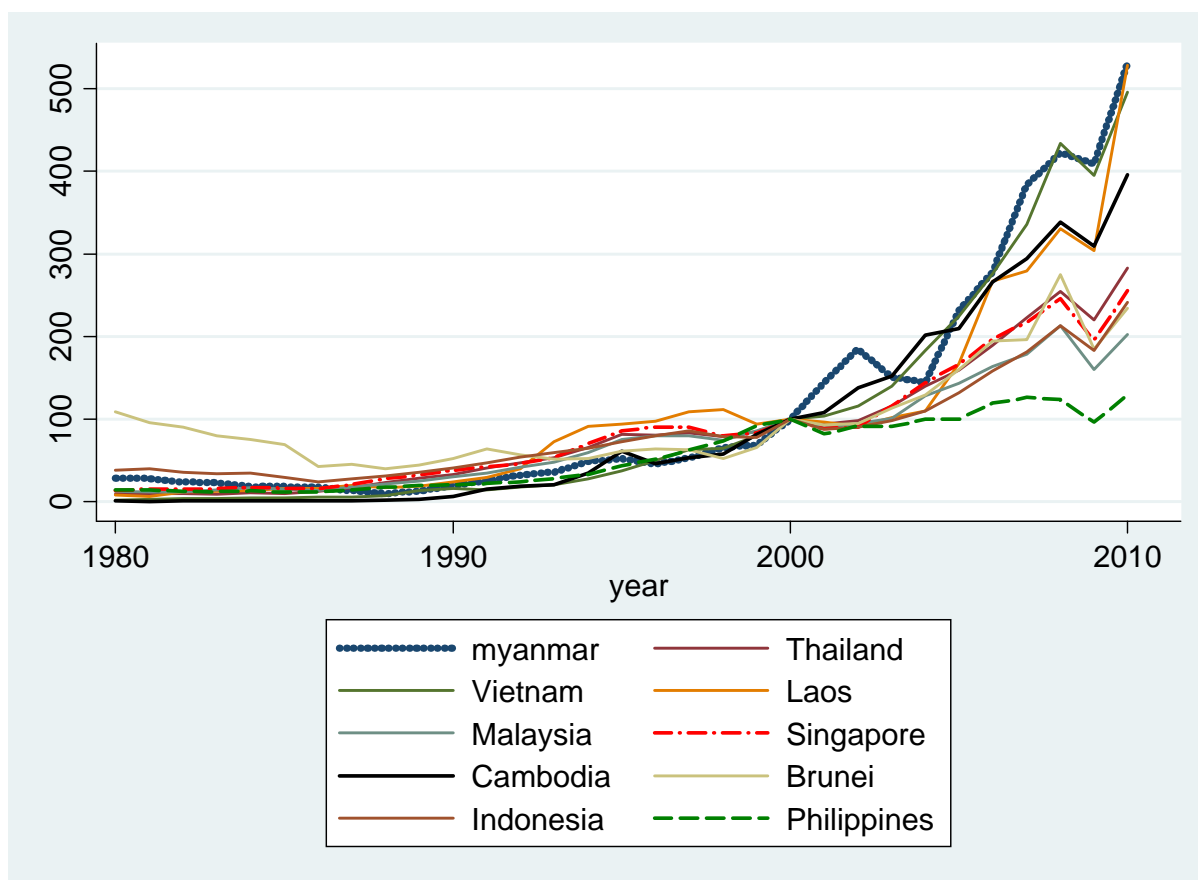
The figure illustrates that, at initial, import value of import is greater than the value of export. So, it causes trade deficit. After that, import falls short of export. So, balance of trade becomes positive and there is, of course, trade surplus. When there is trade surplus, overall, it means we buy foreign commodity less than we gain from foreign consumer.

Table2 AEC's Export Value Index 1980 – 2010

Vari able	Obs	Mean	Std. Dev.	Min	Max
myanmar	31	116. 9937	143. 5502	10. 15635	531. 6085
thai land	31	86. 20711	78. 44986	9. 221858	283. 3062
vietnam	31	104. 9015	141. 0611	2. 343413	496. 0082
laos	31	105. 8987	119. 9498	6. 963156	528. 7064
mal aysi a	31	75. 79216	60. 89385	11. 98201	213. 5003
si ngapore	31	86. 79403	72. 75011	14. 06004	255. 3387
cambodi a	31	94. 32963	118. 0596	. 7137147	395. 8387
brunei	31	98. 49998	60. 93513	40. 5326	274. 7002
i ndonesi a	31	83. 55632	58. 02725	23. 83137	241. 2937
phi l i ppi nes	31	56. 56997	42. 25945	11. 59133	129. 2809

Source: This study (data from World Bank)

This table shows the time-series analysis about value of export in Asian Economic Community. When we consider “mean” of export value index, surprisingly, Laos does a good job more than Singapore or Malaysia. However, Laos’s standard deviation is relatively high, it indicates the improvement of Lao economy from 1980 to 2010. However, when we consider about maximum export value index, Myanmar’s value is highest. Its performance is outstanding more than other countries in AEC.

Figure2 Times Series of AEC's Export Value Index 1980 – 2010

Source: This study (data from World Bank)

From the figure2, between 1980 to 1990, Indonesia's economy is outstanding. Up to 2000, Laos does a good job in export. Since 2000, Myanmar is rising star. Its export value outpaces other economies in the same region. When the export value increase, balance of trade tend to rise and the potential welfare should increase.

Table 3 AEC's Import value index 1980-2010

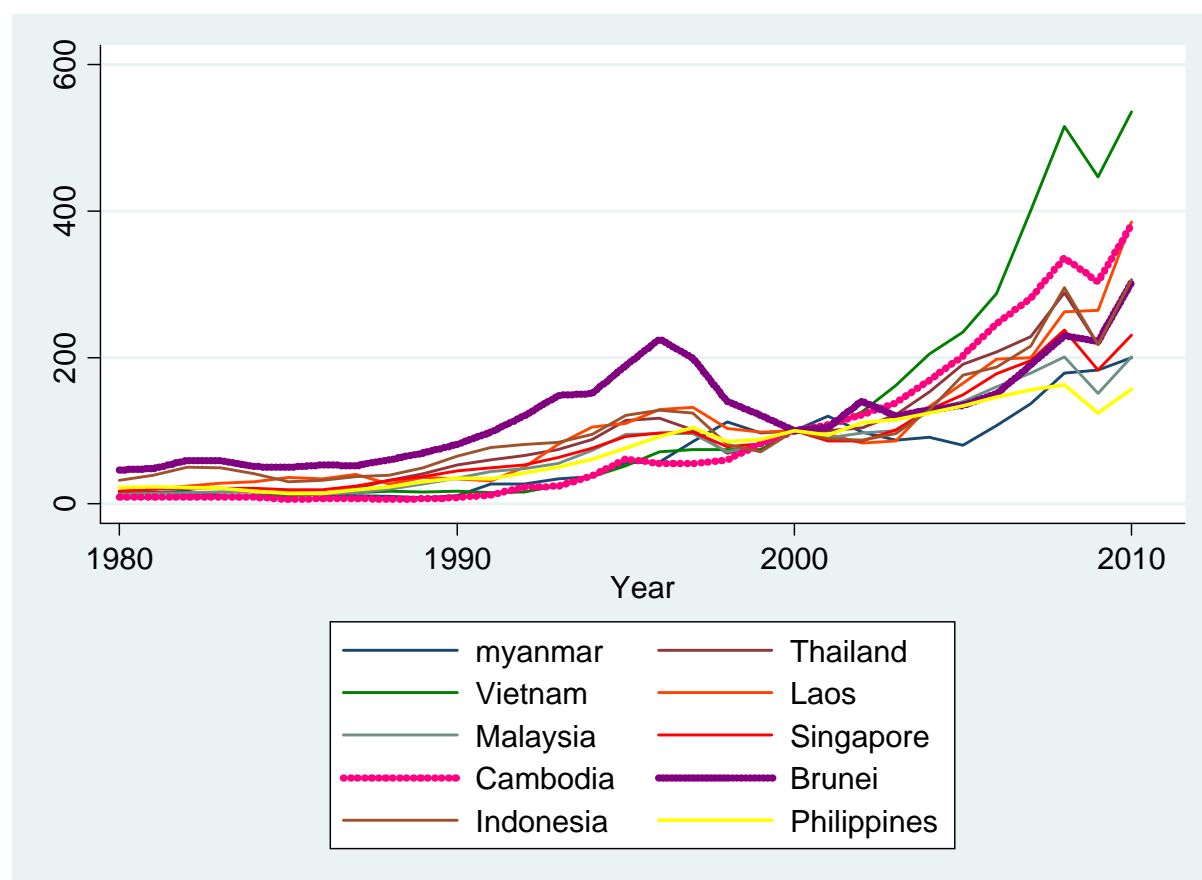
Vari able	Obs	Mean	Std. Dev.	Min	Max
myanmar	31	66.13494	57.09622	8.034062	200.1895
thai land	31	98.04193	81.6206	13.80482	298.0941
vi etnam	31	119.303	157.508	8.403887	535.7424
l aos	31	101.3715	86.30797	17.18727	384.9257
mal aysi a	31	77.71562	58.66664	13.15144	200.9848
si ngapore	31	85.36674	64.44986	17.84332	237.6751
cam bodi a	31	93.2265	111.1137	6.187768	382.2847
brunei	31	124.0964	66.22703	46.52032	303.4327
i ndonesi a	31	104.23	73.94355	30.61017	306.67
phi l i p p i n e s	31	74.27323	49.77056	14.20741	163.3516

Source: This study (data from World Bank)

This table shows the statistics about import value index in AEC since 1980. Overall, it seems that Brunei has the highest mean of import value. The highest standard deviation is

Vietnam and maximum value index belongs to Vietnam. For the Myanmar's economy, import value index is not too high or too low. It is similar to Malaysia.

Figure3 Time Series of AEC's Import value index 1980 -2010



Source: This study (data from World Bank)

From the figure3, from 1980 – 2000, Brunei is leading of importing in the region(it explain the reason why means is highest). And Cambodia's import value index is lowest in AEC. In the lately 2010, Myanmar imported lower than Vietnam, Cambodia (dramatically rise since 2000), Laos, Thailand, Singapore but better than Philippines and Malaysia.

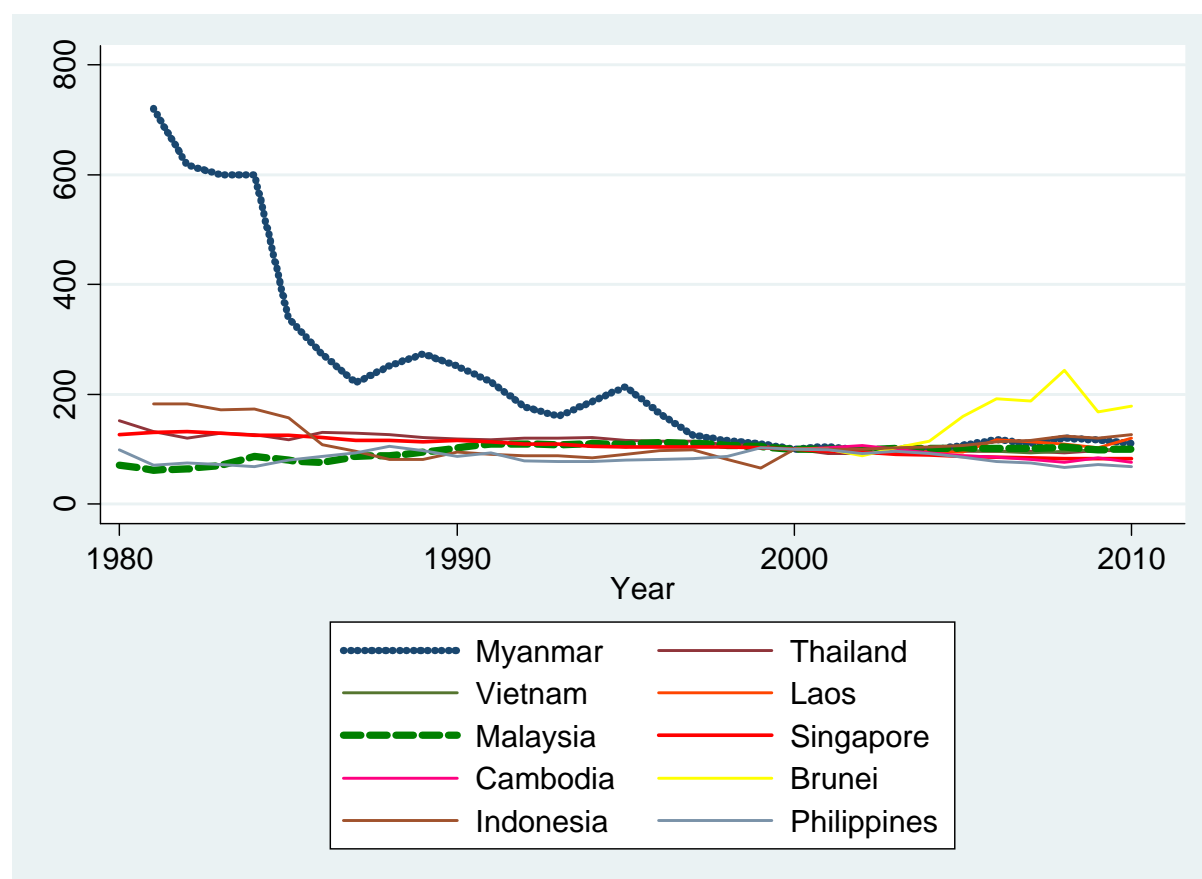
Table4 AEC's Terms of Trade 1980 - 2010

Vari able	Obs	Mean	Std. Dev.	Mi n	Max
myanmar	30	227. 0934	176. 0882	97. 78383	721. 0526
thai l and	31	112. 8635	15. 14386	92. 16324	151. 5625
vi et nam	11	97. 0777	2. 354479	93. 15439	100. 6404
l aos	11	105. 1599	8. 54705	94. 25674	119. 4958
mal aysi a	31	96. 02017	14. 34949	62. 2807	112. 069
si ngapore	31	106. 0802	15. 60003	82. 62233	131. 9149
cambo di a	11	90. 68877	10. 95652	75. 94451	106. 8341
brunei	11	148. 627	50. 31038	88. 79175	243. 2825
i ndonesi a	30	111. 1444	31. 48226	66. 32653	182. 5581
phi l i ppi nes	31	84. 71918	11. 23862	67. 44674	106. 0241

Source: This study (data from World Bank)

The table4 shows the comparison of terms of trade (TOT) among AEC countries. In this case, 2000 is the base year that the TOT index is equal to 100 in all countries. TOT can calculate by price of export over price of import. On the average, Myanmar's TOT is highest – it is referred that Myanmar export price might be high or its import price might be low. When we deliberately consider the maximum value of terms of trade, Myanmar reached the highest and it is followed by Brunei, Indonesia, and Thailand, respectively.

Figure3 Time series of AEC's Terms of Trade 1980 - 2010



Source: This study (data from World Bank)

From the figure3, it indicates that Myanmar since 1980 has experienced the sharp fall in terms of trade – we can refer to either lower export price commodity or higher import price commodity. If the TOT falls, followed the theory of offer curve, domestic producer is willing to export fewer units. And the welfare in nations may be downgraded. However, it is not the case of vice versa because there is an exception of offer curve. If the shape of offer curve is backward-bending, the higher TOT leads to a fewer units domestic producer desires to export. Furthermore, if you consider Malaysia – the dash green line, it shows an increase in TOT since 1980, we can refer to either an increase in export price commodity or a decrease in import price commodity.

Trading Partner

There are two fields of trading partner including export trading partners and imports trading partner. Trading partner is important because it indicates the influx of goods and services and it is important for policy maker to consider elaborately about trading intimacy.

Table 5 Myanmar's Major Export Partner

1980		1988		1990	
Singapore	14.3%	Africa	19.7%	Africa	14.3%
Africa	10.6%	Singapore	9.7%	Thailand	11.0%
Japan	9.9%	Hong Kong	9.1%	Singapore	11.3%
Indonesia	9.5%	Japan	8.4%	India	10.8%
Hong Kong	7.6%	Indonesia	7.0%	China	8.1%
1995		2000		2006	
Singapore	16.0%	USA	22.4%	Thailand	49.0%
India	12.2%	Thailand	11.8%	India	12.1%
China	11.3%	Africa	8.6%	Africa	5.8%
Hong Kong	9.3%	India	8.2%	China	5.3%
Indonesia	8.0%	China	5.7%	Japan	5.1%

Source: IMF (Direction of Trade)

From the table5, it shows the change in Myanmar's major export trading partner. However, the major country that always imports goods from Myanmar is Africa. Since 1990, Thailand became one of the export partners of Myanmar especially, the border market. Moreover, China's trade with Myanmar increases – I found from many literatures that the major of trade between Myanmar and China has done through Yunnan Province in Southern China – one of the provinces of China that plan it to be the gate to Southeast Asia. And now, China is constructing the road and infrastructure to enhance the trade with Southeast East Asia.



From the figure above, I do not see anything but “Advantage” of China from Yunnan. It's border with Myanmar, Laos, and Vietnam. It , of course, is the trading area. In the near future, road and infrastructure are finished constructing, China will have a big new market

and its potential will enhance the strength of Chinese economy. Now, E.U. is the largest trading partners of China and China, in my own opinion, now, is finding the new market for their domestic commodity.



The figure shows road construction in Yunnan province, southern China. When it is completely done, the influx of commodities will sharply rise.

Table6 Myanmar's Major Import Partners

1980		1988		1990	
Japan	43.70%	Japan	39.00%	China	20.60%
UK	8.80%	UK	9.10%	Singapore	18%
Germany	7.40%	Germany	6.70%	Japan	16.60%
Singapore	6.10%	USA	6.00%	Germany	4.80%
USA	5.00%	Singapore	5.80%	Malaysia	4.70%
1995		2000		2006	
Singapore	30%	Thailand	18.80%	China	49%
China	29.00%	China	18.00%	Thailand	12.10%
Malaysia	10.80%	Singapore	15.80%	Singapore	5.80%
Japan	7.40%	South Korea	10.50%	Malaysia	5.30%
South Korea	4.10%	Malaysia	8.40%	South Korea	5.10%

Source: IMF (Direction of Trade)

From the table6, in the past, Japan and Germany is major import partner with Myanmar and Myanmar mostly traded with country from the west. However, in the 2000, Myanmar traded more with Asian country, for instance, Thailand, China, South Korea, and Malaysia. It may be the result of sanction of blocking trade with Myanmar. So, in the near

future, with the economic growth in Myanmar, the west may become the trading partner with Myanmar again after easing sanction.

For the border trade, it is growing. If political is stable, of course, it will contribute to Myanmar economic indicator and lead to economic prosperity

Table7 Myanmar's Border Trade by Country

(US\$ Millions)

Fiscal Year	China			Thailand			Bangladesh		
	Export	Import	Total	Export	Import	Total	Export	Import	Total
2002	178.26	153.54	331.80	45.61	28.42	74.04	25.66	1.05	26.72
2003	214.11	173.09	387.20	37.29	41.28	78.57	22.65	2.53	25.19
2004	285.10	211.61	496.71	60.85	61.08	121.94	21.06	1.70	22.76
2005	305.47	195.48	500.95	54.51	58.04	112.55	20.28	1.99	22.26
2006	423.61	298.19	721.80	125.51	88.55	214.06	24.14	1.42	25.56
2007	555.48	422.01	977.49	148.96	156.00	304.96	31.33	1.10	32.43

Fiscal Year	India			Others			Total		
	Export	Import	Total	Export	Import	Total	Export	Import	Total
2002	7.32	4.47	11.80	15.78	0.45	16.22	272.64	187.94	460.57
2003	7.54	2.74	10.28	25.72	4.93	30.65	307.31	224.57	531.88
2004	12.00	3.19	15.20	30.97	0.32	31.28	409.99	277.90	687.88
2005	12.38	4.13	16.51	36.84	27.61	64.45	429.48	287.25	716.73
2006	11.09	6.07	17.16	34.56	0.06	34.63	618.92	394.29	1013.20
2007	10.91	4.20	15.11	0.00	0.00	0.00	746.68	583.31	1329.99

Source: Toshihiro Kudo, “Myanmar's Border Trade With China: Situation, Challenge, and Prospect”, 2010

From the table7, the border trade with China accounted for 70 percent of Myanmar's total border trade. It was followed by Thailand with 20 percent as show in the table6. The share of border trade with Bangladesh and India comprised a few percent. Indeed, China is the greatest importance of Myanmar's border trade.

Table8 China's Border Trade with Myanmar

(US\$ Millions)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Export via Border	263.3	293.5	261.2	358.3	446.3	500.6	540.6	656.0	800.4	915.4
(% as of Total Export)	64.8%	59.1%	52.5%	49.4%	49.1%	53.3%	57.8%	54.3%	47.3%	46.3%
Import via Border	55.1	66.9	93.7	105.4	134.5	164.5	223.5	166.8	231.6	461.4
(% as of Total Import)	54.3%	53.6%	69.8%	77.0%	79.3%	79.5%	81.5%	66.0%	62.5%	71.6%

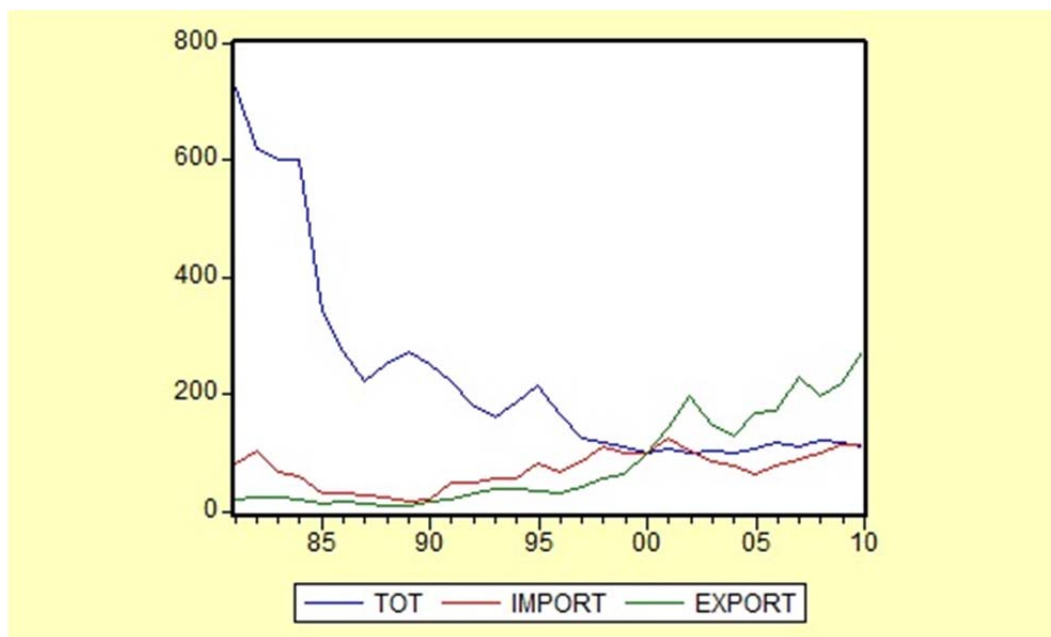
Source: Toshihiro Kudo, “Myanmar's Border Trade With China: Situation, Challenge, and Prospect”, 2010

From the table 8, Myanmar and Chinese governments signed the border trade agreement in August 1994. In July 1997, the “Export First Policy” was applied to border trade. After that, China shared a vital in Myanmar's border trade. The largest trading partner is Yunnan province – southern China. So, it is important to remember that, in 2012, every

country, especially in the west, have an attention in Burmese economy but China, economically and politically, has started considering the advantage of Myanmar and trading under border trade contract since 1994, more than 15 years ago.

When we consider Myanmar's Terms of Trade, Import, Export, the result seems peculiar from the theory as followed;

Figure4 Myanmar's Terms of Trade, Import, Export from 1981 – 2010



Source: This study (data from World Bank)

The figure4 shows the time series data in Myanmar's TOT, export, and import. Theoretically, in offer curve, export and terms of trade should be delineated in the same direction but this show the inverse relationship. The conclusion is not clear but there may be some efforts or impulse that causes the terms of trade and export value seems peculiar. Backward-bending offer curve, a trading policy in tariff and quota, sanction from other countries, all of these may combine together and result in the framework which is not familiar in the international economics theory.

However, when we test it more deliberately with statistical technique, the outcome helps us understand more.

Table9: Outcome of regression model : Export and TOT during 1981 - 2010

Dependent Variable: EXPORT

Method: Least Squares

Date: 09/10/12 Time: 16:56

Sample: 1981 2010

Included observations: 30

Variable	Coefficient	Std. Error	t-Statistic	Prob.
	t			
C	138.5773	20.90180	6.629923	0.0000
TOT	-0.245903	0.073196	-3.359531	0.0023
R-squared	0.287286	Mean dependent var	82.73436	
Adjusted R-squared	0.261832	S.D. dependent var	80.78614	
S.E. of regression	69.40880	Akaike info criterion	11.38224	
Sum squared resid	134892.3	Schwarz criterion	11.47566	
Log likelihood	-168.7337	F-statistic	11.28645	
Durbin-Watson stat	0.178198	Prob(F-statistic)	0.002267	

Source: This study

From the table9, we get the linear regression model as $Y = a + bX$ by OLS method. The linear equation is $\text{Export} = c + b\text{TOT}$ (C stands for vector of coefficient) and the model is as written;

$$\text{Export} = 138.5773 - 0.2459\text{TOT}$$

It means that if TOT is zero, export value index will equal to 138.58. If TOT rises by one unit, Export value index will decline by 0.25. However, when we consider probability value to check the relationship between dependent variable and independent variable, I found that Prob. Of TOT is 0.0023. It indicates the significant relationship $\approx (1-0.0023)*100 \approx 99.77\%$. When the Prob. value is small, it means that coefficient of dependent variable is significantly different from zero or we can reject null Hypothesis that $b = 0$. When we consider R-squared or coefficient of determination, its value is 0.2872. It is low. It tells us that the result of Y (Export Equation) is influenced by TOT around 28.72% and other factors about 71.28%. So, the accuracy of prediction (estimated equation of representation of all population) about this outcome is weak even though this equation is significant.

Table10 Outcome of regression model : Import and TOT during 1981 - 2010

Dependent Variable: IMPORT

Method: Least Squares

Date: 09/10/12 Time: 16:57

Sample: 1981 2010

Included observations: 30

Variable	Coefficient	Std. Error	t-Statistic	Prob.
	t			
C	80.97693	9.332169	8.677182	0.0000
TOT	-0.041614	0.032680	-1.273361	0.2134
R-squared	0.054739	Mean dependent var	71.52674	
Adjusted R-squared	0.020980	S.D. dependent var	31.31970	
S.E. of regression	30.98942	Akaike info criterion	9.769509	
Sum squared resid	26889.64	Schwarz criterion	9.862923	
Log likelihood	-144.5426	F-statistic	1.621448	
Durbin-Watson stat	0.319228	Prob(F-statistic)	0.213360	

Source: This study

From the table10, we get the linear regression model as $Y = a + bX$ by OLS method. The linear equation is $\text{Import} = c + b\text{TOT}$ (C stands for vector of coefficient) and the model is as written;

$$\text{Export} = 80.9769 - 0.0416\text{TOT}$$

It means that if TOT is zero, export value index will equal to 80.9769. If TOT rises by one unit, Import value index will decline by 0.04. However, when we consider probability value to check the relationship between dependent variable and independent variable, I found that Prob. Of TOT is 0.2134. It indicates the significant relationship $\approx (1 - 0.2134) * 100 \approx 78.66\%$. When the Prob. value is small, it means that coefficient of dependent variable is significantly different from zero or we can reject null Hypothesis that $b = 0$. When we consider R-squared or coefficient of determination, its value is 0.0547. It is very low. It tells us that the result of Y (Import Equation) is influenced by TOT around 5.47% and other factors about 94.53%. So, the accuracy of prediction (estimated equation of representation of all population) about this outcome is very weak even though this equation is significant.

After estimating the relationship through regression model by OLS method between Myanmar's terms of trade and import, and export. I beyond this study by estimating the regression model to figure out the relationship between Terms of Trade and economic growth (using GDP growth) in 1981 – 2004 (data from World Bank)

Table11 Outcome of regression model : TOT and Economic growth during 1981-2010

Dependent Variable: GDPGROWTH

Method: Least Squares

Date: 09/10/12 Time: 17:03

Sample: 1981 2004

Included observations: 24

Variable	Coefficient	Std. Error	t-Statistic	Prob.
	t			
C	8.007428	2.039249	3.926655	0.0007
TOT	-0.008966	0.006491	-1.381279	0.1811
R-squared	0.079803	Mean dependent var	5.717251	
Adjusted R-squared	0.037976	S.D. dependent var	5.929945	
S.E. of regression	5.816257	Akaike info criterion	6.438846	
Sum squared resid	744.2346	Schwarz criterion	6.537017	
Log likelihood	-75.26615	F-statistic	1.907932	
Durbin-Watson stat	0.689565	Prob(F-statistic)	0.181063	

Source: This study

From the table11, we get the linear regression model as $Y = a + bX$ by OLS method. The linear equation is $GDPGROWTH = c + bTOT$ (C stands for vector of coefficient) and the model is as written;

$$GDPGROWTH = 8.007428 - 0.0089TOT$$

It means that if TOT is zero, export value index will equal to 8.01. If TOT rises by one unit, GDP growth rate will decline by 0.0089. However, when we consider probability value to check the relationship between dependent variable and independent variable, I found that Prob. Of TOT is 0.1811. It indicates the significant relationship $\approx (1-0.1811)*100 \approx 81.89\%$. When the Prob. value is small, it means that coefficient of dependent variable is significantly different from zero or we can reject null Hypothesis that $b = 0$. When we consider R-squared or coefficient of determination, its value is 0.0798. It is very low. It tells us that the result of Y (GDPGROWTH Equation) is influenced by TOT around 7.98% and other factors about 92.02%. So, the accuracy of prediction (estimated equation of representation of all population) about this outcome is very weak even though this equation is significant.

Welfare in Myanmar

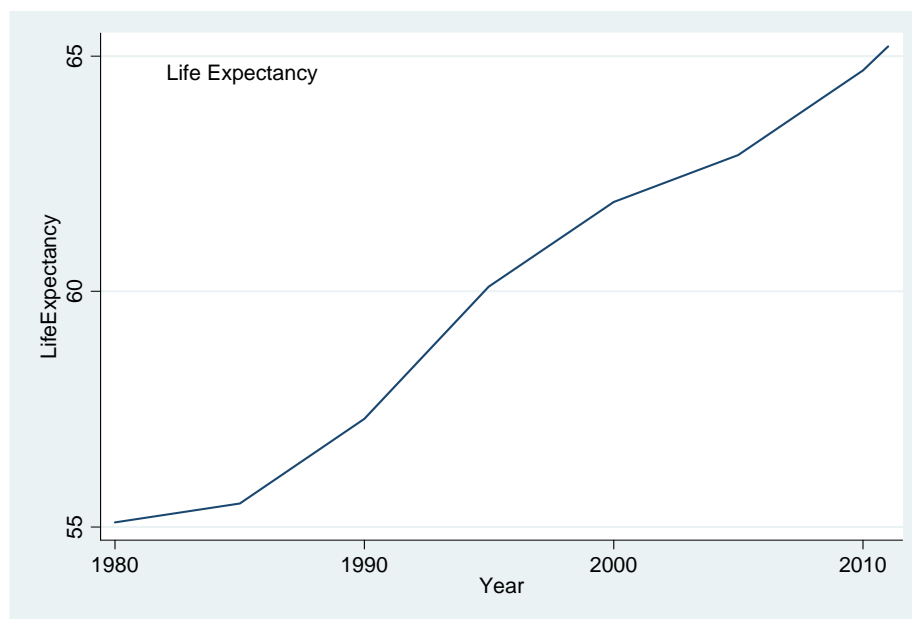
Gross Domestic Product – popular economic indicator – cannot tell us a deliberate situation in country but superficial situation. In other word, it tells us potential well-being of people not an actual well-being of people. We cannot conclude that overall citizens experience higher living standard when GDP rises – it should be so but only GDP is inefficient to achieve an effective statement about welfare improvement in country. The problem of “Growth without Development” in Brazil, oil sheikdoms, Bangladesh and so on emphasizes us that the country with high GDP cannot guarantee amelioration in living standard. According to Human Development Report 2011 by UNDP, there is an indicator measured three dimensions of human development including life expectancy, literacy and years of schooling, and standard of living by per capita GNI at PPP. To ensure as much cross-country comparability as possible, the HDI is based primarily on international data from the UN Population Division, the UNESCO Institute for Statistics (UIS) and the World Bank. However, the data in old Human Development Report (1990 - 2010) uses an old methodology. So, it may mislead us if we use the unarranged data with old methodology from HDR directly. So, with the new formula, UNDP calculated HDI in the past including 1980, 1985, 1990, 1995, 2000, 2005, 2010 and 2011 that available in UNDP website and HDR as well. In Myanmar, HDI value for 2011 is 0.483 – in low human development category – positioning the country 149 out of 187 countries. HDI value ranks between zero and one. The closer to one country experiences, the more development citizen faces. Between 1980 and 2011, Myanmar’s HDI value increased from 0.279 to 0.483, an increase of 73.0 per cent or average annual increase of about 1.8 per cent as followed;

Table1: Myanmar’s HDI Trends Based on Consistent Time Series Data

Component Indicators of HDI				
Year	Life Expectancy	Means years of schooling	GNI per capita (2005 PPP\$)	HDI Value
1980	55.1	1.7	364	0.279
1985	55.5	2.2	409	0.307
1990	57.3	2.4	340	0.298
1995	60.1	2.7	420	0.34
2000	61.9	3.1	576	0.38
2005	62.9	3.5	1,018	0.436
2010	64.7	4	1,484	0.479
2011	65.2	4	1,535	0.483

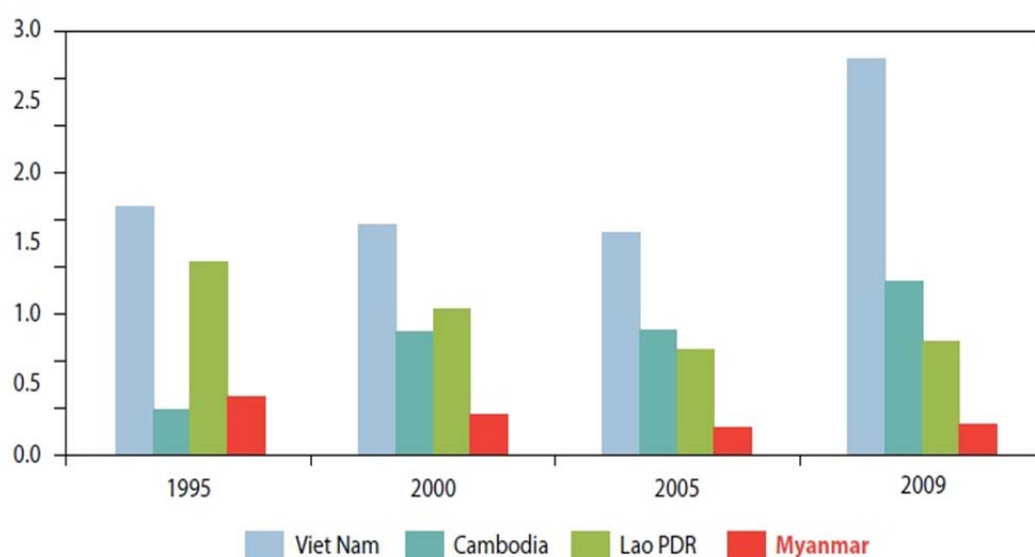
Source: UNDP

The details of each component will be explained in figure1 – figure3

Figure1: Trends in Myanmar's Life Expectancy

Source: This study (data from UNDP)

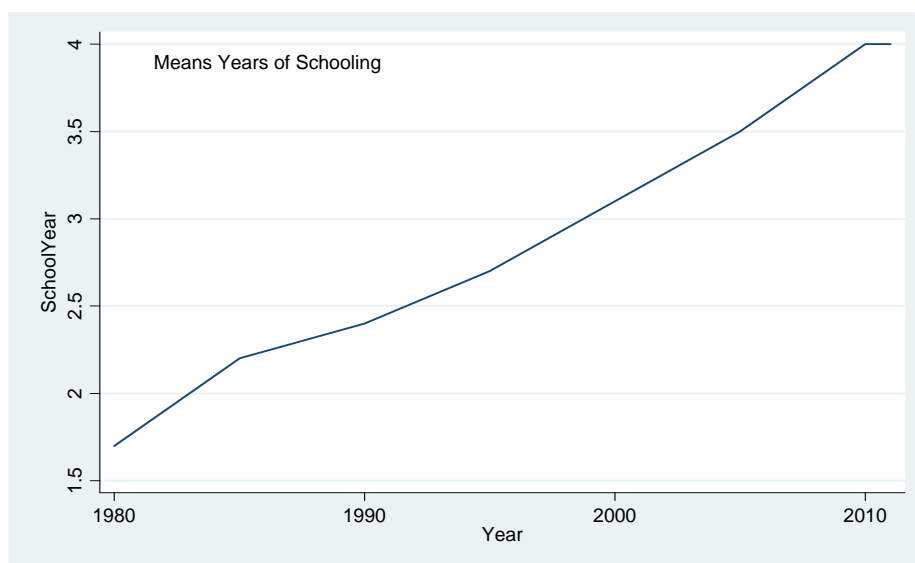
Figure shows about a sharp increase in life expectancy in Burmese citizens from 1980 to 2011. Initially, health deprivation is severe and, by the time, it is improved because of government provision and other international organization in Myanmar, for example, UN and World Bank office. Moreover, the modern medicine and new science and technology can expand lifespan. However, life expectancy in developing country is lower than developed country. It indicates the better situation in sanitation and disease. There are more modern medicine and effective doctors so as to help expand citizen's life.

Figure 2: Government Expenditure Share on Health during 1995 – 2009 (% of GDP)

Source: Asian Development Bank, "Myanmar in Transition", 2012

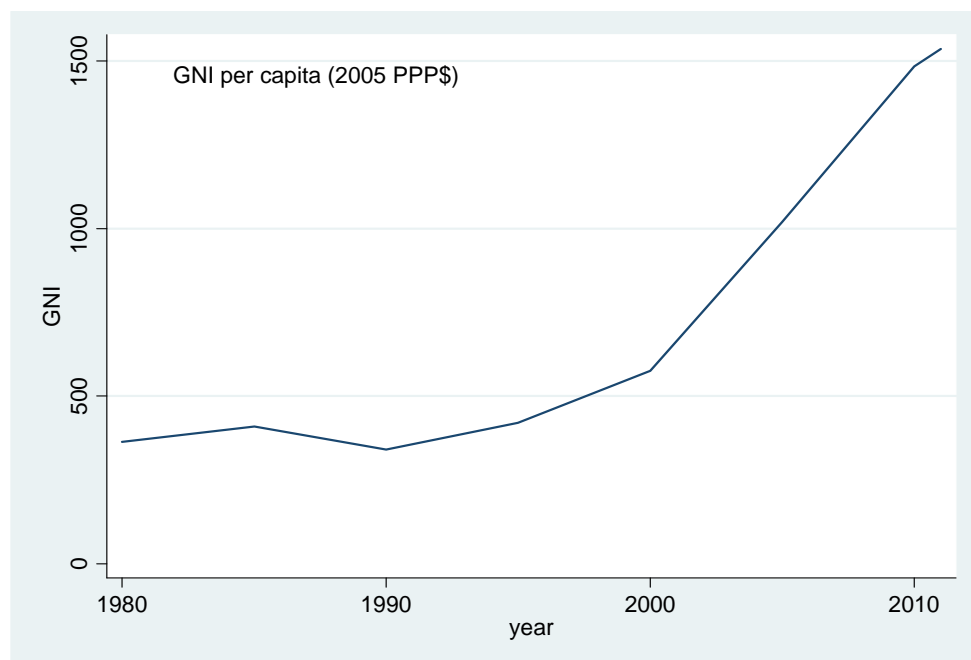
From the figure2, it shows that Myanmar has relatively small share of government expenditure on health compared to selected countries including Viet Nam, Cambodia, Laos. Needless to say, health and sanitation in Myanmar is low because to be in a good condition of health needs an effective government project. In developed countries, the largest share of government expenditure is on health, for instance, the United States, England, and Norway. So, government should more concentrate on health dimension because it can contribute to human capital. When citizens are deprived, they cannot work well and got the low salary. There is no light of development. If Myanmar citizen's health is good and there are many program subsidized in medicine cost, it is anticipated that the productivity will improve. People can work more hours and gain more income.

Figure3: Trends in Myanmar's means years of Schooling



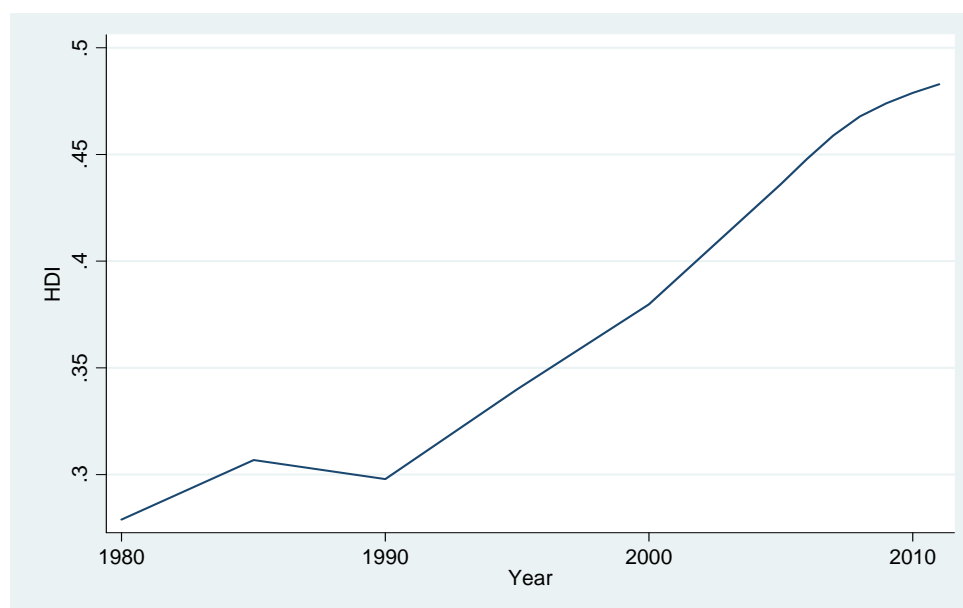
Source: This study (data from UNDP)

Figure3 shows means years of schooling in Myanmar – one of the most problems in development. As we know, education gives positive or spillover benefit to society rather than merely student. Society as a whole is improved. It is easier for government to control because people are educated and abided the law or regulations. Human capital is important because it not only increase individual productivity and the real reward (wage) but also encourage country overall to progress in the era of capitalism. So, we can anticipate from this figure that Burmese society is improved because people are more educated in the thirty years as we concerned. I have a chance to ask Professor Shigeru Otsubo about the policy to help eliminate poverty in long term, he informed me that education policy is the most important for policy makers to be concerned but to design a good education system is very difficult.

Figure4: Trends in Myanmar's per capita GNI (PPP)

Source: This study (data from UNDP)

Figure4 shows the per capita GNI in Burma. We can expect that the individual living standard might increase as a result of sharp improvement in income. However, it may mislead us because per capita income comes from the method of mean – we divide the national income by the number of population. It masks inequality in society. For example, suppose that a country composes of two people. Each gets \$50 per year. So, per capita income is \$50. While other country has two citizens as well but one gets \$100 and another gets nothing. So, the latter's per capita income is \$50. So, we should to be more careful when consider only GDP and per capita income. We have to concern about S.D. and Gini Coefficient that reflect the income inequality in country distribution. PPP that using in estimating GNI stands for purchasing power parity, the criterion for an appropriate exchange rate between currencies among countries. Actual exchange rates in market will vary from the PPP levels for various reasons, such as the demand for imports or investments between countries. It asks how much money would be needed to purchase the same goods and services in two countries, and uses that to calculate an implicit foreign exchange rate. Using that PPP rate, an amount of money has the same purchasing power in different countries. Among other uses, PPP rates facilitate international comparisons of income, as market exchange rates are often volatile, are affected by political and financial factors that do not lead to immediate changes in income and tend to systematically understate the standard of living in poor countries because the majority of commodities in poor countries are not traded with other countries, for example, wild product – it is not through exchange rate system while PPP involves every commodities in countries which means than it reflects the true rate in transforming the data in one country into international dollar. So, it is more correct to use PPP instead of exchange rate in calculating GNI or GDP across the countries.

Figure5: Trends in Myanmar's HDI

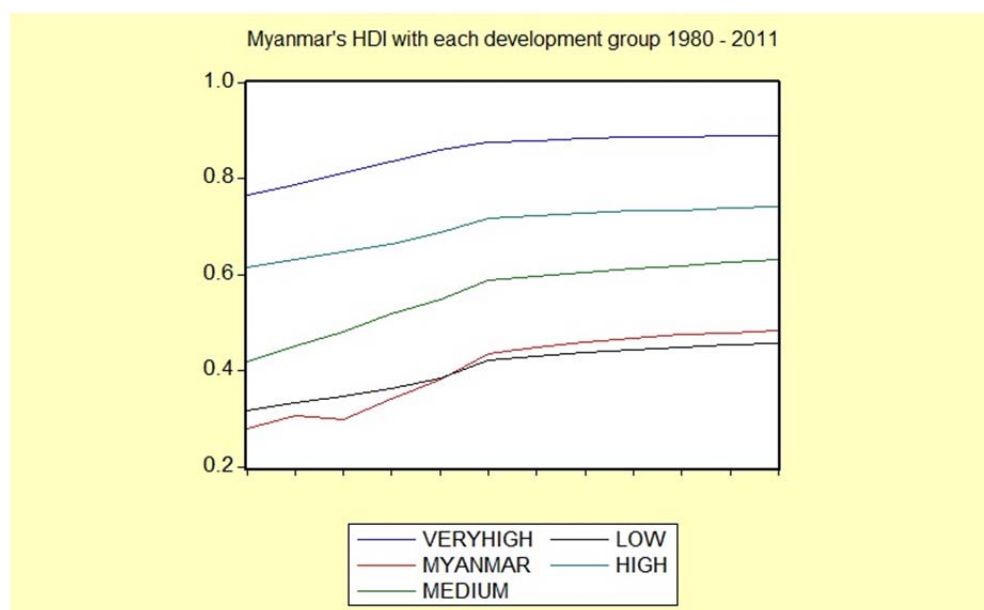
Source: This study (data from UNDP)

This figure5 shows the Burmese Human Development Index integrating longevity, knowledge, and income. From 1980 to 2011, it shows a good sign of economic development. Even though HDI declined in 1985 to 1990 but, after that, it dramatically rises. Now, Burma is in the range of low human development category with the 1.8 per cent annual increase. So, in the future, if Burmese government concentrates on the policy encouraging the standard of living of Burmese citizens, it will contribute to HDI and the real increase in people's well-being can take place. It is possible that HDI can go up to medium development category if there is an intensity of economic development not solely economic growth.

Table2: Myanmar's HDI and Other Category of Development Index

Year	HDI VALUE in each category				
	Very High	High	Medium	Low	Myanmar
1980	0.766	0.614	0.42	0.316	0.279
1985	0.786	0.63	0.45	0.334	0.307
1990	0.810	0.648	0.48	0.347	0.298
1995	0.834	0.662	0.517	0.363	0.340
2000	0.858	0.687	0.548	0.383	0.380
2005	0.876	0.716	0.587	0.422	0.436
2006	0.879	0.721	0.595	0.430	0.448
2007	0.882	0.728	0.605	0.437	0.459
2008	0.885	0.733	0.612	0.443	0.468
2009	0.885	0.734	0.618	0.448	0.474
2010	0.888	0.739	0.625	0.453	0.479
2011	0.889	0.741	0.630	0.456	0.483

Source: UNDP

Figure6: Comparison of each Human Development Category

Source: This study (data from UNDP)

This table2 and figure6 show the comparison in Myanmar's HDI and other development category including very higher development, high development, medium development and low development. It is of course easy to anticipate that very high development countries will have high literacy rate, high life expectancy and high GNI at PPP. But the important thing in this figure is that Burma is ranked in low development category but since 2005, Myanmar's HDI outpace the average value of HDI in low development category. It is nearer than the past for Myanmar to become medium development country. To achieve the next category, Burma needs effective reform in health system, education system, and economic system simultaneously. An improvement in infrastructure helps strengthen economy and increase the possibility to trade with the other region like China (Yunnan) and especially, Thailand (border trade). If telecommunication does a good job, it helps reduce business cost; so, it attracts foreign investors to locate their plants, factory, or offices.

In conclusion about welfare in Myanmar, the overall situation nowadays is better than the past. The deprivation among the indigent is not severe. It is proved that Myanmar is in process of economic development using the arm of political stability and social strength. Myanmar's situation in the present is similar to Thailand – medium human development country – around thirty years ago. It does not mean that Burma will take thirty year to reach Thailand nowadays. It can be more than thirty years or less than thirty years depending on Burmese role of economy, politics and society simultaneously. Welfare improvement is important for policy maker to design an effective scheme to try to eliminate the penury and inequality in country. It is, of course, hard but there is no choice otherwise the indigent may be deprived further and back into the vicious cycle again. Burma cannot get rid of poverty trap if there is no the process of reform. Reform means change. The attempts to develop at the national level and the regional level, will need real economic, institutional, administrative, and reforms, human resource development and poverty reduction programs, to name a few.

Burma needs to strengthen the regional integration programs in ASEAN Vision 2020, The Hanoi Plan of Action, Hanoi Declaration on Narrowing Development Gap for Closer ASEAN Integration, and Initiative for ASEAN Integration. And also it needs focus the private property among the ethnic groups in Burma (135 different ethnic groups). Life without property is similar to a house with no roof. To rent the land with uncertain agricultural product is the important issue that Burmese government must concern elaborately. When the income is uncertain, it is difficult to invest in anything not only child education but also housing. With the new era of Burma, economics is, as you know, impossible to distribute evenly. It is duty of government to take care of country and citizen to improve their well-being until they have ability to function their life (Sen's).

Labor Migration



Labor migration is one of the most important issues when we consider about Myanmar. We get used to see the news about labor migration in the border, especially in the Northern Thailand and Southern Thailand. In the paper of “Labor migration in the greater Mekong sub-region”, it said that the numbers of labor migration vary greatly, with conservative estimates in 2005 ranging from 1.8 to 4 million among intra-regional cross border migrants in the GMS. It is generally accepted that the largest migration flow to Thailand. In Thailand, the country with the major influx of migrants from neighboring countries, there are claims that 90 percent of the estimated two to three million migrants from Myanmar, Cambodia and Laos are irregular (not recorded and eludes statistical coverage) and about half are without any legal and valid travel documents.



Thailand is the largest importer of unskilled labor in this sub-region. About the age of labor immigrated, the lack of formal training and relevant work experience is partly due to the young age of the migrant population. In Thailand, 2004, data indicated that 56 percent of

the applicants were between 15 and 25 years old, with another seven percent under the age of 15. Of those aged less than 15, 20 percent were 12–14 years old and the remaining 80 percent under the age of 12. This young migrant work force caters to the growing demand for unskilled labor to support industrialization, substituting for local labor. In Thailand, as in other newly industrialized countries, relatively high incomes in the expanding manufacturing, commercial and service sectors render jobs that are lower-paying, lower-status and that involve harder physical work less attractive to an increasingly more educated and smaller Thai population with broader work opportunities at its disposal. At the same time, harsh competition in the regional and global market inspires labor-intensive industries to economize by suppressing wages for lower-level jobs for which there is abundant labor supply, thus making those jobs even less interesting to the Thai population. However, the wage is relatively high compared to those in the countries where the cross-border migrants originate. Intra-regional migrants come to fill the shortage of cheap labor in Thailand as well as other more industrialized countries in the sub-region, their lower skill levels and more modest financial expectations being a match to the so-called “3Ds” jobs—Dirty, Dangerous and Difficult that are on offer.



Figure 1 Irregular labor came to Thailand by ship

Burmese workers in Thailand

For the benefit of migrant labors, they fill unwanted jobs, accept lower payments, and work in disadvantaged conditions. Intra-regional migrants contribute significantly to the economy of more advantaged countries in the GMS. They do so in multiple ways, for example, firstly, they support the expanding secondary and tertiary sectors when the supply of internal migrant labor is no longer sufficient, secondly, they maintain the necessary level of employment in sectors and jobs no longer attractive to the local population, and they compensate for a diminishing work force in agricultural areas. With their low-wage labor they further enhance the competitiveness of industrializing countries (reduce cost of doing business) in regional and global markets by helping produce or process goods for export as well as they consume the domestic goods and services.

Table1 2010 Quantities of Burmese Labor in Thailand

It's divided into two categories, legal and illegal, respectively.

Burmese workers	Legal Workers	Illegal Workers
amount	128,824	815,472
total	944,296	

Source: Office of foreign workers administration (Thailand)

From the table, it indicates that, in Thailand, the majority of Burmese workers who contribute to our economy are illegal. And of course, their welfare features will be less than registered labors who immigrate legally.

Table2 Number of Illegal Worker in Thailand from 2006 to 2010¹ in Thailand

Year	Amount
2006	568,878
2007	498,091
2008	476,676
2009	1,078,767
2010	812,984

Source: Office of foreign workers administration (Thailand)

From the table, it indicates that the number of Burmese illegal labor sharply increased from 2006 to 2010. The more industrial and manufactured sector in Thailand expand, the more demand for cheap-paid labor increases so as to reduce the cost and be more competitive.

This mass internal migration (in GMS) is spurred by industrialization and infrastructural growth, increasingly consists of people moving from rural and often remote areas to cities and other industrial and tourism destinations. Thai government indicated that in 2004 Thai employers requested work permits for nearly 1.6 million undocumented migrant employees, though only 1.2 million registered and only 815,000 were actually issued work permits. Of those registered, 610,000 were from Burma, 105,000 from Cambodia and 100,000 from Laos. The main industries employing migrant labor in Thailand are domestic work, construction, commercial agriculture, fishing, and service industries.

¹ You will observe that in the table1, illegal workers in 2010 are 815,472. It's composed of two parts including Myanmar minority (this type of people are Burmese minority group) and Irregular labor (they have no work permit, not recorded, and eludes statistical coverage). For the former, there are 2,488 people and for the latter, there are 812,984 people.

Table3 The Distribution of Registered Labor in Thailand in 2004

Sector	Employer	Burmese	Laos	Cambodia	Total
Agriculture	44,811	143,793	16,795	18,816	179,404
Domestic work	88,059	88,319	31,449	8,746	128,514
Construction	10,387	81,554	8,442	24,463	114,459
Fisheries	6,518	33,178	2,634	22,874	58,686
Fish processing	2,548	62,923	1,013	4,666	68,602
Others	43,228	183,155	37,711	22,508	243,374
Rice mill	778	6,471	266	186	6,923
Mining	846	5,963	433	373	7,615
Ice making	572	3,642	485	387	4,514
Transportation	57	1,108	124	1,770	3,002
Total	197,804	610,106	99,352	104,789	815,093

Source: Therese Caouette, Rosalia Sciortino, Philip Guest, Alan Feinstein, “labour migration in the grater Mekong sub-region”

From the table, it indicates that most Burmese workers are employed agriculture sector. And it's followed by domestic work, construction, fish processing, and fisheries, respectively. While workers from Laos are mostly employed in domestic work sector and people from Cambodia are mostly employed in construction sector.

Table4 Illegal Burmese Workers by the Sectors in Thailand in 2010

Burmese Workers (Illegal)	Categories		
	Total	Male	Female
	812,984	443,601	369,383
Unskilled Labor	741,213	430,336	310,877
Agriculture and Livestock	149,333	91,329	58,004
Construction	129,353	82,061	47,292
Fishery	120,812	62,926	57,886
services	68,671	41,518	27,153
Cloth Product salesperson	61,211	23,410	37,801
Agricultural related job (factory)	53,633	33,876	19,757
Clerk	39,863	20,425	19,438
retail shop	32,900	19,640	13,260
Plastic product salesperson	17,376	10,679	6,697
Construction tools salesperson	12,991	8,746	4,245
Metal salesperson	11,745	8,035	3,710

Recycle	9,725	6,117	3,608
Godown	6,321	4,505	1,816
Slaughterhouse	5,228	3,093	2,135
Soil salesperson	4,866	2,693	2,173
Garage, Service Station	4,517	3,260	1,257
Electronic product sale	3,626	2,329	1,297
Gas station	3,041	1,999	1,042
Paper product salesperson	2,856	1,738	1,118
Mining	1,187	808	379
Stone Milling	1,035	730	305
School, Foundations, Hospital	923	419	504
Servant	71,771	13,265	58,506
Servant(maid)	71,771	13,265	58,506

Source: Office of foreign workers administration (Thailand)

The table indicates that the majority of work among Burmese people, in 2010, is agriculture and livestock sector. It is similar to the data in 2004 (but in table3, it is data about legal workers who have work permit while in table4, it is data about illegal workers who have no work permit). The second majority is construction sector, fisheries sector, and services sector, respectively. And the important sector is servant sector or maid. It constitutes almost 10 percent in overall illegal Burmese labor.

Table5 Salary of Registered Migrant Labor and Unregistered Migrant Labor

Sector	Registered migrant Baht	Unregistered migrant Baht
Agriculture	3,000–4,000	1,500–3,000
Domestic work	2,000–4,000	1,000–3,000
Construction	4,500–6,000	3,000–3,300
Fisheries	3,000–4,500	2,400–4,000
Fish processing	3,000	500–2,400
General labor	3,000	600–3,000
Factory	3,000–5,000	1,000–3,000
Entertainment	–	3,000–10,000

Source: S. Chantavanich, et al. (2006). Report to the World Bank on Labor Migration in the Greater Mekong Subregion. Bangkok: Asian Research Center for Migration, Chulalongkorn University.

It indicates the difference between registered labor and irregular labor. The difference is apparent, unregistered workers receive almost 50 percent lower than migrants who have registered and obtained work permits. When the income is lower, generally, those welfares are lower and their health will be deprived and, of course, they cannot beg for anything.

Problem and deprivation of Burmese labor in Thailand



Figure 2 Burmese labor in fishery, Ranong, Thailand

It is normal to see that migrant workers have a lot of workload each year for cheap wage but they, of course, have no choice. Needless to say, their welfare is very relatively low compared to local workers that their own government (Thai government) support many things. Moreover, in Thailand, the law does not protect irregular migrants and only partially applies to registered migrants, leaving them unable to seek legal assistance or appeal to the law to right the abuses and exploitation they encounter. Even when “registered”, migrants are prevented from accessing the legal system by language and cultural differences, limited knowledge of national laws, and high costs. The lack of mechanisms to inform migrants of their rights is an additional barrier. In the absence of a clear migration policy in receiving countries, migrants cannot confidently approach the judicial system for protection or prosecution against violations. Also, it is certain that when there is something wrong and has to contact with Thai police station, the process of investigation is overlooked. Simply put, migrant workers have no voice.

In Thailand, migrant communities are often isolated and unsanitary, leaving workers exposed to mosquitoes, industrial waste, trash and open sewers. Many migrants reside near marshy environments, especially in border areas, where mosquitoes breed. Housing conditions are poor, with migrants and their families typically living in overcrowded, poorly ventilated rooms or in shacks, with limited access to clean water and little protection from the elements. Employers tend to avoid the expenses associated with providing decent living conditions.

Additionally, it is the problem that people do not understand migrants’ contribution to the national economy and how that contribution indirectly also benefits all citizens through taxes, consumption and other mechanisms. Mass media, such as television and social

marketing campaigns, and art groups could play a very important role in promoting a more positive image of migration and migrants.

However, nowadays, there are NGOs that take care of migrant people including The Action Network for Migrants (ANM), Border Esaan Action Network (BEAN), Border to Seashore (B to S), The Prevention of HIV/AIDS Among Migrant Workers in Thailand (PHAMIT). However, in my own opinion, in reducing overlapping duty, government should set an organization to take care of foreign worker's health and the office should be opened in the province that those labors are intense, especially in the border of Thailand, for example, Tak, Kanchanaburi, Ranong, and Chiang Rai.

Effects on Thai economy when Burma reforms its economy, society, and politics.

When the process of reform starts, the improvement in situation of economy, society, and politics together contribute to Myanmar. But critical question is that how long the light can be shine. Can the reform last continuously at least 10 years? Can amelioration in economy stay with Myanmar without any interruption from politics? In my opinion, no one can answer this question rather Burma's citizens. If there are still people who desires a better life, to be leader of Southeast Asia may be possible.

When the country is lucid – situation is better than the era of strict military-based society, of course, Burmese labors in Thailand will go back their home. When wage in Myanmar is rise due to an increase in demand of labor as a result of growing industrial and manufactured sector, this labor will go back their home. When the economic growth occurs, it spurs automatically the process of economic development. When there is economic development, country as a whole will be out of vicious cycle and turn to virtuous cycle. Then, the Burmese want to go back home. As you know, Burmese people almost work in the border, I have a chance to interview my father who live in Chum Phon where Burma labor is intense. He said that now Burmese labors gradually went back their home. And I have a chance to interview merchant in Chiang Mai about Burmese labors, he said that now a number of Burmese labors declines especially, in construction sector.

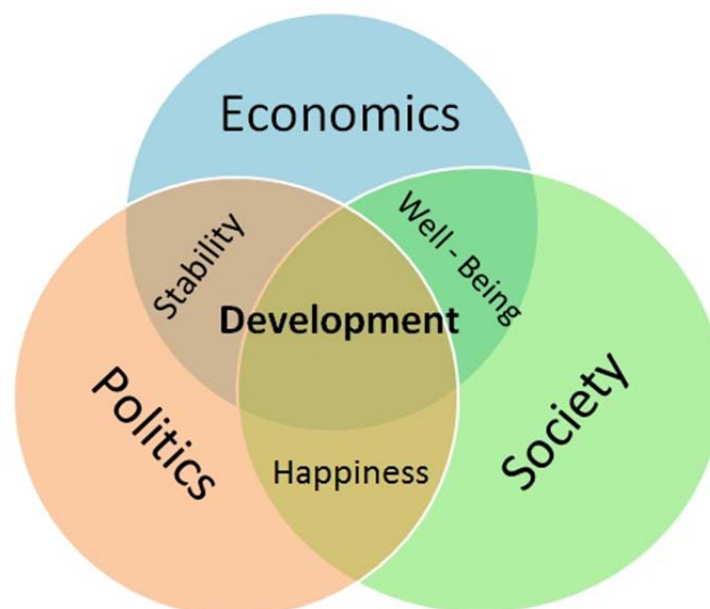
Can you guest what will be happen? Of course, I have these ideas from International Economics Class at Faculty of Economics, Chiang Mai University. Asst. Prof. Dr. Nisit Panthamit once informed me about Thai Economy will be in trouble when Burmese labors who are employed in the job that Thai people refuse to work including fishery sector go back their country. Moreover, this scenario will affect Thai gross domestic product because this labor is the basis of production in many industry. Furthermore, I have a chance to ask Ni lar, Ph.D. about the labor market in Thailand when Burmese labors go back home. She informed me that in the next three years, Thai economy will go down and be in the hard stages of economic progress. In my own opinion, I agree with my lecturer and there will be, of course, impact of loss of labor supply on Thai economy. Initially, producers will worse off because they have higher production cost, especially in agricultural sector, construction sector, and fishery sector. If low-paid labors disappear, firm owners have to hire Thai people with the relatively higher wage rate. The production costs increase and then it of course increases the

price of “overall” product – we frequently experience the situation that the overall price goes up after one or two prices of commodity increases. If the theory is correct, in less than three years, Thai consumer may be lament from an increase in agricultural product, house, condominium and other estate, and also seafood product. However, theoretically, consumers may be initially dissatisfied and unhappy with the high price, after that, consumers will buy fewer units and this scenario will hurt producer because of decreased sales. And the price eventually goes down to equilibrium. Of course, it is theoretical prediction but what is about in real world? In fact, price of product never goes down. It increases all the time. When the price of Jasmine rice goes up due to an increase in transportation cost as a result of higher oil price, Jasmine rice’s price is still high even though the price of oil slightly decline in the next month later. So, it tells us that consumer is always the loser. Consumer’s bargaining is relatively low compared to producer side. Big firm can collude to other small firm in the market for setting the high price. Firm also can negotiate with government so as to protect the market from importing for maintaining its leading position in domestic market. Again, when the price rises as a result of higher cost from hiring Thai people with relatively high minimum wage per day, consumer is the loser if their demand is relatively inelastic. But if they can adapt themselves for changing price, of course, they buy a fewer unit and the loser can become the winner after the sales of company dramatically fall. However, firm owners, in fact, do not hire merely Burmese labor, before hiring Thai people (their last choice), they may try their utmost, for minimizing their production costs, to hire other alien labors from Laos or Cambodia due to lower wage rate and no needs to rise the market price. So, consumer and producer have to understand the situation of labor market; otherwise, they both may become the loser of this game.



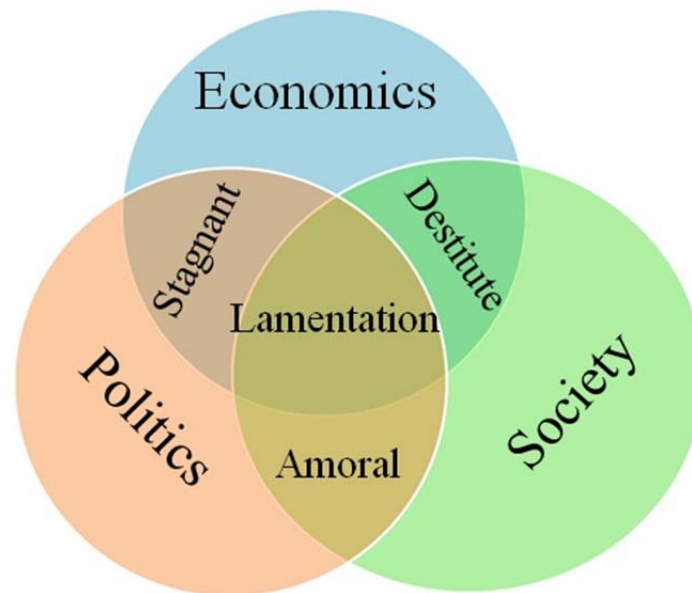
Policy Suggestion

Myanmar needs a reform in economics, politics, and society simultaneously. For economy, I suggested for “integrated” or “Holistic” policy which means that policy maker should elaborately consider, at the same time, education system, health system, and economic system. In education system, there are many literature concluded that education give a positive externalities or spillover benefit to country whose policy encourage knowledge-based community. Society as a whole will be better when people are more education. Citizens abide by law and regulation. For politics, Myanmar needs political stability. Democracy of course is the politic norm in the 20th century. All of the developed country practice in democracy, for example, Norway, Sweden, Denmark, and Canada. In Burma, military rule last for more than 50 years, Burmese government should stop listening to his own ideas. It is time to explore the world and learn something important than military power. The destitute in country is more than half of population – it’s proved that the past system does not work. For society, minority group in Burma is a big problem. Conflict in race and belief is the most difficult thing and always, from world’s experience, lead to war. In Burma, there are more than one hundred ethnic groups, to be serene needs a center for people from different group to believe and practice. In my own opinion, I’m not sociologist, I cannot suggest anything about society in deep view more than the ideas that when the military rule declines, quality of life are improved by technological progress, economic growth, improvement in living stand, and lead to an increase in happiness among society. Consequently, when the three things (improvement in economics, politics, and society) are ameliorated concurrently, economic development in Myanmar is feasible as the figure below;



When economics and politics are conjugated, the stability will occur. As society gets along with economics, people’s well-being will be raised. When politics and society are exercised, happiness will take place. So, as economic, politics, and society are altogether practiced, development is not too far away.

On the other hand, if economics, politics, and society cannot get along with each other, the scenario of development will be wiped out. Military rule is still dominant, conflict between ethnic groups is severe, or investors experience many restriction, all of these are example of reversed development stage that lead to collapse. And, of course, the worst sector is not government agent or company representative but the indigent in rural area whose living standard is low and their life is deprived. Figure below shows the possible outcome of Myanmar if it walks in the wrong track again.



When the economics and politics are controlled by traditional military rule, both will be stagnant – no sign of improvement and no path of stability. As society and economics are leaded by wrong policy or it interests only economic growth (care only quantity but overlook the quality), inequality will occur in society and people are more vulnerable to be the destitute. When politics and society are held by person who cares only his or her power and highly value on caste system, then amoral environment (surrounding) will be projected among society. If the three things (economics, politics, society) come together by the wrong impulse, country will be of course lament.

It is seemed that there is no much choice but Myanmar can choose. It does not depend on what field Myanmar want to reform but it depends on “when” Myanmar will really start reforming.

6 Keys to reform

1. Fiscal Policy Reform

Myanmar government should have a program encouraging trade so called “Tax Break” on export commodities, for example, tax break in agricultural-based products. And Myanmar should improve the individual income tax by progressive tax to redistribute the national income in country and it is a great source of government revenue. Moreover, Value-added Tax (VAT) should be declined from 10% to 5%. Also, with the high tariff, government should reduce the tariff from importation because tariff will hurt consumer even though it help protect domestic producer but, in turn, there is a deadweight loss that make national welfare decreased.

2. Financial Policy Reform

Government should cut interest rate in lending rate from 18% to 15% and then to 13% because it leads to banking sector expansion and allow foreign banking, ATM and wider collateral allowed.

3. Trade Policy Reform

Government should concentrate on import liberalization, especially raw materials and machineries. Government should reduce license procedures because it increases cost to business.

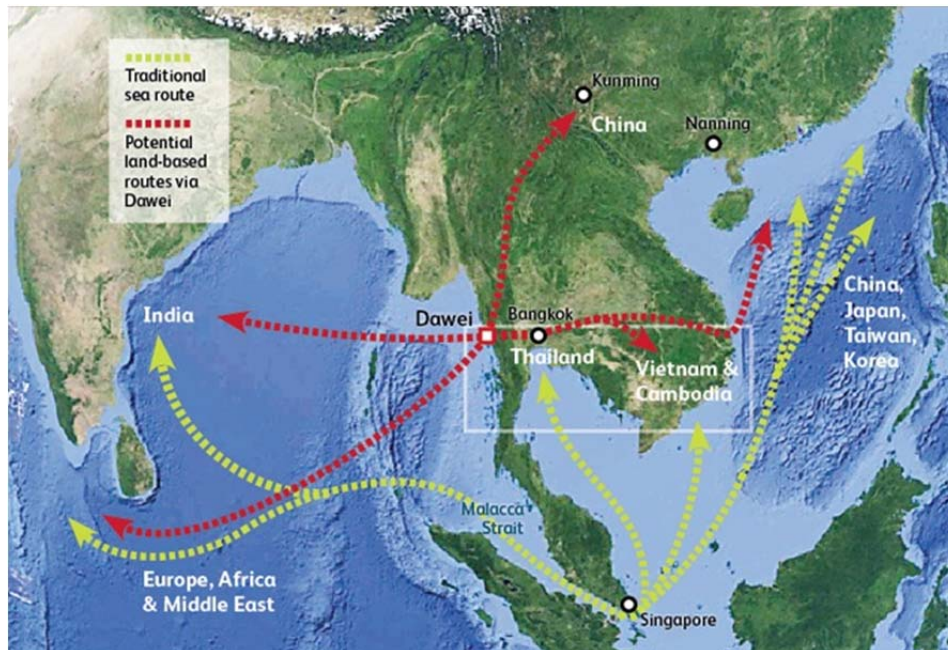
4. Investment Policy Reform

Government should allow company registration life-span extended from 2 to 3 years. Now, about investment tax, Myanmar’s parliament under Thein Sein passed the investment law. The legislation drops a number of apparently restrictive provisions floated by lawmakers. One proposal had required a minimum investment of \$5 million, which some analysts said would restrict joint-venture investors to dealing only with the country's largest and, possibly, most politically connected firms, including potentially some with ties to Myanmar's former harsh military regime. It also allows foreigners to own 50% of joint ventures in restricted businesses. That was above the 49% limit in previous drafts, but fell short of hopes among some investors that higher percentages would be allowed. In some business sectors, foreign ownership can exceed 50%, government officials said. They didn't specify the sectors in which such exemptions would apply and couldn't immediately be reached for further comment.

5. Infrastructure Reform

Government should construct road so as to connect between province more convenient and swift. The deep seaports are is also important to encourage the trade. Dawai port is a good port to make Myanmar more competitive. And , of course, it will affect the Singapore’s port in the future because the route is shorter to connect between east Asia and the West. Now, the sea ports in Myanmar are located in Sittwe, Bassein, Thilawa, Moulmein, Yangon.

However, the most attractive port is, of course, Dawei. It is now under construction. It will be the largest port in Southeast Asia that can support the influx of commodities from around the world. From the location, Dawei port can connect with many countries as figure;



In traditional sea route, Singapore is the center of trade route, for a long time, in Southeast Asia through Malacca strait. It connects India, Europe, African and Middle East, Thailand, Vietnam, China, Japan, Taiwan, and Korea. However, when Dawei port open, it will connect with India, Europe, Africa and Middle East, Thailand(Shorter and Faster), Laos, Vietnam, Malaysia, Cambodia, China (shorter and faster), and also Japan, Taiwan, and Korea. So, the Dawei port is one of the most important strength of Myanmar economy in the new era. The figure below shows the planned construction of Dawei port in the near future.



6. Institutional Reform

Under the view of capitalism, institution is very important in terms of private property. With different ethnic groups in Myanmar, private poverty held by citizens is low. People still rent land and has no asset. When people have no any collateral, to borrow the bank for investment in some kinds of business is unfeasible. So, private property is a core of capitalism in the 20th century, government should elaborately consider it. Also, law system

should be reformed. To protect citizen's own private property is difficult and unfair if the court and law are not support the equity – equal protection under law. It is a big duty of government to reform law system to make Myanmar become “equal state” – men and women are equal, they have the same rights to live, to eat, to practice religion and so on. When people respect each other, democracy is not too far to achieve and we can make sure that political stability will occur in the near future after the process of court and procedure of law is practiced under the equity's rule.

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